VM FINANCIAL GROUP LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2023

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
VM FINANCIAL GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of VM Financial Group Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 9 to 109, which comprise the Group's and Company's statements of financial position as at December 31, 2023, the Group's and Company's income statements, statements of comprehensive income, changes in capital and reserves and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2023, and of the Group's and the Company's financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM FINANCIAL GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters

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

1. Fair value of investments

See notes 9 and 10 to the financial statements.

The key audit matter	How the matter was addressed in our audit
A significant portion of the Group's investment securities measured at fair value are instruments for which quoted prices are not available. Valuation of these investments, although based on mainly observable market inputs, requires significant estimation. The Group used valuation techniques which involve inputs such as market yields obtained from established yield curves which are impacted by uncertainty of market factors	Our procedures in this area included the following: • Assessing the reasonableness of significant assumptions and suitability of the valuation models used by the Group. • Involving our valuation specialists to determine or obtain yields or prices of specific securities and comparing these yield or prices to those used by the Group. Assessing the adequacy of the disclosures, including the degree of estimation uncertainty involved in determining fair values.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM FINANCIAL GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

2. Expected credit loss on financial assets

See note 4 (n) of the financial statements

The key audit matter	How the matter was addressed in our audit
The Group is required to recognize expected credit losses ('ECL') on financial assets, the determination of which involves high estimation uncertainty and requires management to make significant judgements and estimates about the elements considered in calculating the ECL. The key areas requiring greater management judgment include the identification of significant increase in credit risk (SICR), the determination of probability of default, loss given default, exposure at default, management overlay and application of forward looking information.	Our procedures in this area included the following: Assessing and testing the design and implementation of the Group's control over the determination of expected credit losses. Updating our understanding of the models used by the Group 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.

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

2. Expected credit loss on financial assets (continued)

The key audit matter (continued)	How the matter was addressed in our audit (continued)
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. Therefore, impairment of financial assets has a high degree of estimation uncertainty.	Our procedures in this area included the following (continued): • Involved KPMG Financial Risk Management specialists to challenge significant assumptions and judgements relating to the ECL Methodology. • Evaluated the completeness, accuracy and relevance of data. • Evaluated the appropriateness and tested the mathematical accuracy of models applied. • Evaluating the adequacy of the financial statement disclosures, including disclosures of the key assumptions and judgements, for compliance with IFRS 9.

3. Investment in associate

See note 18 of the financial statements

The key audit matter	How the matter was addressed in our audit
The determination of the final fair value of net assets acquired in Kingston Properties Limited ("the investee") for which the Group holds 23% involves some judgement.	Our procedures in this area included the following: • Involving our valuation specialists in evaluating the Group's purchase price allocation in the investee and impairment assessment including assessing the appropriateness of the assumptions and methodology used.

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

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

Management is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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.

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 7-8, forms part of our auditors' report.

To the Members of
VM FINANCIAL GROUP LIMITED

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 Nyssa Johnson.

KPMG

Chartered Accountants
Kingston, Jamaica

May 31, 2024

Appendix to the Independent Auditors' report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's 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 financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM FINANCIAL GROUP LIMITED

Appendix to the Independent Auditors' report (Continued)

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

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

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

VM FINANCIAL GROUP LIMITED

GROUP STATEMENT OF FINANCIAL POSITION
December 31, 2023

	Notes	Group		
		2023 $'000	2022 $'000 Restated*	January 1, 2022 $'000 Restated*
ASSETS				
Cash resources	8	11,099,468	11,198,858	8,930,867
Investments - Jamaica Government securities	9	24,908,353	23,337,231	26,218,622
- Other	10	26,664,443	27,299,392	26,506,220
Resale agreements	11	3,782,576	2,116,491	7,293,712
Loans	12	121,930,499	111,389,609	102,402,543
Due from related entities	13	637,159	333,519	106,908
Other assets	14	10,589,514	9,688,406	6,964,361
Income tax recoverable		756,183	191,696	649,698
Deferred tax assets	15(a)	1,354,769	1,126,088	462,081
Employee benefits asset	16	1,284,611	746,011	1,830,011
Interest in associates	18	4,741,299	3,672,962	2,282,482
Intangible assets	19	3,350,379	3,365,532	3,480,328
Investment and foreclosed properties	20	474,527	516,185	340,900
Property, plant and equipment	21	3,237,830	3,261,334	3,713,784
Total assets		214,811,610	198,243,314	191,182,517
LIABILITIES				
Savings fund:				
Regular savings	22	135,655,715	132,544,324	115,733,956
Depositors' savings	23	6,967,898	1,764,062	2,241,778
		142,623,613	134,308,386	117,975,734
Due to specialised institution	24	1,938,931	571,627	4,367,035
		144,562,544	134,880,013	122,342,769
Income tax payable		57,503	180,851	39,216
Due to related entities	13	17,401	-	-
Other liabilities	25	5,301,267	6,729,871	4,632,278
Repurchase agreements	26	16,348,883	17,714,662	26,193,578
Other borrowings	27	25,448,720	16,835,550	15,010,164
Lease liabilities	28	341,454	417,348	312,642
Deferred tax liabilities	15(a)	10,793	21,104	319,568
Employee benefits obligation	16	850,800	704,600	1,224,400
Total liabilities		192,939,365	177,483,999	170,074,615
EQUITY				
Share capital	29	17,424,846	17,424,846	-
Permanent capital		-	-	7,746,058
Reserve fund	30(i),	-	-	1,560,636
Retained earnings reserve	30(ii),	(200,002)	(200,002)	5,273,209
Non-distributable reserve	30(iii)	289,240	-	(172,781)
Credit facility reserve	30(iv)	520,793	-	1,950,735
Investment revaluation reserve	30(v)	(400,475)	(588,156)	859,629
General reserve		-	-	10,000
Currency translation reserve	30(vi)	338,562	255,483	415,217
Retained earnings		3,399,239	3,379,430	2,863,885
Total equity attributable to equity holders of the company		21,372,203	20,271,601	20,506,588
Non-controlling interest	32	500,042	487,714	601,314
Total equity		21,872,245	20,759,315	21,107,902
Total liabilities and equity		214,811,610	198,243,314	191,182,517

The financial statements on pages 9 to 109 were approved for issue by the Board of Directors on May 31, 2024 and signed on its behalf by:

______________________ Director
Brian Goldson

______________________ Director
Courtney Campbell

Countersigned:

______________________ Corporate Secretary
Keri-Gaye Brown

* See note 44

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

VM FINANCIAL GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
December 31, 2023

	Notes	2023 $'000
ASSETS		
Cash resources	8	640,684
Due from related entities	13	380,920
Other assets	14	1,187,154
Deferred tax assets	15(a)	19,790
Interest in subsidiaries	17	24,462,602
Interest in associates	18	1,816,951
Total assets		28,508,101
LIABILITIES		
Due to related entities	13	193,797
Other liabilities	25	148,845
Other borrowings	27	11,024,010
Total liabilities		11,366,652
EQUITY		
Share capital	29	17,424,846
Retained earnings reserve		(200,002)
Retained earnings		(83,395)
Total equity		17,141,449
Total liabilities and equity		28,508,101

The financial statements on pages 9 to 109 were approved for issue by the Board of Directors on May 31, 2024 and signed on its behalf by:

Director
Brian Goldson

Director
Courtney Campbell

Countersigned:

Corporate Secretary
Keri-Gaye Brown

VM FINANCIAL GROUP LIMITED

INCOME STATEMENTS
December 31, 2023

	Notes	Group 2023 $'000	Group 2022 $'000 Restated*	Eleven months period Company 2023 $'000
Interest income, calculated using the effective interest method	34	12,459,101	10,208,289	193,525
Interest expense	34	(6,525,248)	(4,328,612)	(754,263)
Net interest income/(expense)		5,933,853	5,879,677	(560,738)
Fee and commission income	35	2,176,404	1,731,783	-
Fee and commission expenses	35	(236,456)	(129,741)	(9,133)
Net fee and commission income/(expense)		1,939,948	1,602,042	(9,133)
Other operating revenue	36	4,584,169	4,982,852	3,325,819
Net interest income and other revenue		12,457,970	12,464,571	2,755,948
Personnel costs	37	(5,158,248)	(5,294,534)	(37,733)
Impairment (charge)/credit on financial assets	5(a)(ii)	(270,377)	446,977	-
Depreciation and amortisation	19, 20, 21	(923,075)	(928,172)	-
Other operating expenses	38	(4,912,112)	(3,957,924)	(70,234)
		(11,263,812)	(9,733,653)	(107,967)
Impairment charge on non-financial asset	43	(1,188,777)	-	(2,751,166)
Extinguishment of dormant deposits	30(ii)	-	1,200,000	-
Share of profits of associates	18	442,161	126,899	-
Profit/(loss) before income tax		447,542	4,057,817	(103,185)
Income tax credit/(charge)	39	133,589	(765,139)	19,790
Profit/(loss)for the year/period		581,131	3,292,678	(83,395)
Profit/(loss) attributable to:				
Equity holders' of the Company		541,362	3,149,360	(83,395)
Non-controlling interest	32	39,769	143,318	-
		581,131	3,292,678	(83,395)

* See note 44

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

VM FINANCIAL GROUP LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
December 31, 2023

	Notes	Group 2023 $'000	Group 2022 $'000 Restated*	Eleven months period Company 2023 $'000
Profit/(loss) for the year/period		581,131	3,292,678	(83,395)
Other comprehensive income				
Items that will never be reclassified to profit or loss:				
Net losses on investments in equity securities designated at FVOCI		(298,350)	(64,771)	-
Net gains/(losses) on remeasurement of employee benefits asset and obligation	16(i)(e),16(ii)(c)	411,700	(371,000)	-
Deferred income tax on net losses on remeasurement of employee benefits asset and obligation	15	(123,460)	110,650	-
		(10,110)	(325,121)	-
Items that may be reclassified to profit or loss:				
Unrealised gains/(losses) on debt securities at FVOCI		492,107	(3,542,257)	-
Deferred income tax on unrealised losses on investment securities measured at FVOCI	15	(62,284)	615,177	-
Realised gains/(losses) on fair value of debt securities at FVOCI		2,102	(698)	-
Foreign currency translation difference on foreign exchange operations and other adjustments		90,633	(159,734)	-
Share of investment revaluation of associates		19,351	(78,631)	-
		541,909	(3,166,143)	-
Total other comprehensive income/(loss) for the year/period, net of tax		531,799	(3,491,264)	-
Total comprehensive income/(loss) for the year/period		1,112,930	(198,586)	(83,395)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company		1,100,602	(84,986)	(83,395)
Non-controlling interest	32	12,328	(113,600)	-
		1,112,930	(198,586)	(83,395)

* See note 44

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

VM FINANCIAL GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2023

	Share capital $'000 [note 29]	Reserve fund $'000 [note 30(i)]	Retained earnings reserve $'000	Non-distributable reserve $'000 [note 30 (ii)]	Credit facility reserve $'000 [note 30(iv)]	Investment revaluation reserve $'000 [note 30(v)]	General reserve $'000	Currency translation reserve $'000 [note 30(vi)]	Retained earnings $'000	Total capital and reserves $'000	Non controlling interest attributable to parent $'000	Total capital and reserve $'000
Balances at January 1, 2022	7,746,058	1,560,636	5,273,209	(172,781)	1,950,735	859,629	10,000	415,217	4,097,956	21,740,659	810,241	22,550,900
Prior year adjustment (note 44)	-	-	-	-	-	-	-	-	(1,234,071)	(1,234,071)	(208,927)	(1,442,998
Restated as at January 1, 2022	7,746,058	1,560,636	5,273,209	(172,781)	1,950,735	859,629	10,000	415,217	2,863,885	20,506,588	601,314	21,107,902
Profit for the year	-	-	-	-	-	-	-	-	3,149,360	3,149,360	143,318	3,292,678
Other comprehensive income:												
Unrealised losses on debt securities at FVOCI, net of tax	-	-	-	-	-	(2,681,010)	-	-	-	(2,681,010)	(246,070)	(2,927,080)
Foreign currency translation difference on foreign subsidiaries' balances and other adjustments	-	-	-	-	-	-	-	(159,734)	-	(159,734)	-	(159,734)
Realised gains on debt securities at FVOCI	-	-	-	-	-	(698)	-	-	-	(698)	-	(698)
Unrealised losses on equity securities at FVOCI	-	-	-	-	-	(51,816)	-	-	-	(51,816)	(12,955)	(64,771)
Net gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	(273,350)	-	-	-	-	10,893	(262,457)	2,107	(260,350)
Share of investment revaluation of associate	-	-	-	-	-	(78,631)	-	-	-	(78,631)	-	(78,631)
Total other comprehensive income	-	-	-	(273,350)	-	(2,812,155)	-	(159,734)	10,893	(3,234,346)	(256,918)	(3,491,264)
Total comprehensive income for the year	-	-	-	(273,350)	-	(2,812,155)	-	(159,734)	3,160,253	(84,986)	(113,600)	(198,586)
Capital relating to VM Innovations Extinguished on consolidation of Financial Holding Companies (FHC)	-	-	(150,001)	-	-	-	-	-	-	(150,001)	-	(150,001)
Credit facility reserve transfer	-	-	-	-	618,885	-	-	-	(618,885)	-	-	-
Other transfers [note 30(i)]	-	123,873	701,950	-	-	-	-	-	(825,823)	-	-	-
Total movement between reserves	-	123,873	551,949	-	618,885	-	-	-	(1,444,708)	(150,001)	-	(150,001)
Dormant deposit transfers [note 30(ii)]	-	-	1,200,000	-	-	-	-	-	(1,200,000)	-	-	-
Transfer as a result of restructuring (note 43)	9,678,788	(1,684,509)	(7,225,160)	446,131	(2,569,620)	1,364,370	(10,000)	-	-	-	-	-
Restated as at December 31, 2022	17,424,846	-	(200,002)	-	-	(588,156)	-	255,483	3,379,430	20,271,601	487,714	20,759,315

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

VM FINANCIAL GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY CONT'D
Year ended December 31, 2023

	Share capital $'000 [note 29]	Reserve fund $'000	Retained earnings reserve $'000 [note 30 (ii)]	Non-distributable reserve $'000 [note 30 (ii)]	Credit facility reserve $'000 [note 30(iv)]	Investment revaluation reserve $'000 [note 30(v)]	General reserve $'000	Currency translation reserve $'000 [note 30(vi)]	Retained earnings $'000	Total capital and reserves $'000	Non controlling interest attributable to parent $'000 [note 32]	Total capital and reserves $'000
Balances at December 31, 2022, restated	17,424,846	-	(200,002)	-	-	(588,156)	-	255,483	3,379,430	20,271,601	487,714	20,759,315
Total comprehensive income for 2023												
Profit for the year	-	-	-	-	-	-	-	-	541,362	541,362	39,769	581,131
Other comprehensive income:												
Unrealised losses on debt securities at FVOCI, net of tax	-	-	-	-	-	404,908	-	-	-	404,908	24,915	429,823
Foreign currency translation difference on foreign subsidiaries' balances and other adjustments	-	-	-	-	-	-	-	83,079	-	83,079	7,554	90,633
Realised gains on debt securities at FVOCI	-	-	-	-	-	2,102	-	-	-	2,102	-	2,102
Unrealised losses on equity securities at FVOCI	-	-	-	-	-	(238,680)	-	-	-	(238,680)	(59,670)	(298,350)
Net gain on remeasurement of employee benefits asset and obligation, net of tax	-	-	-	289,240	-	-	-	-	(760)	288,480	(240)	288,240
Share of investment revaluation of associate	-	-	-	-	-	19,351	-	-	-	19,351	-	19,351
Total other comprehensive income	-	-	-	289,240	-	187,681	-	83,079	(760)	559,240	(27,441)	531,799
Total comprehensive income for the year	-	-	-	289,240	-	187,681	-	83,079	540,602	1,100,602	12,328	1,112,930
Movements between reserves												
Credit facility reserve transfer	-	-	-	-	520,793	-	-	-	(520,793)	-	-	-
Balances at December 31, 2023	17,424,846	-	(200,002)	289,240	520,793	(400,475)	-	338,562	3,399,239	21,372,203	500,042	21,872,245

The accompanying notes are an integral part of the financial statements

VM FINANCIAL GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
Eleven-month period ended December 31, 2023

	Share capital $'000 (note 29)	Retained earnings reserve $'000	Retained earnings $'000	Total $000
Loss for the period, being total comprehensive loss	-	-	(83,395)	(83,395)
Transaction with owner:				
Issuance of shares	17,424,846	-	-	17,424,846
Transaction arising on restructuring (note 43)	-	(200,002)	-	(200,002)
Total transactions with owners	17,424,846	(200,002)	-	17,224,844
Balances as December 31, 2023	17,424,846	(200,002)	(83,395)	17,141,449

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

VM FINANCIAL GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS
Year ended December 31, 2023

	Notes	2023 $'000	2022 $'000 Restated*
Cash flows from operating activities			
Profit for the year		581,131	3,292,678
Adjustments for:			
Depreciation and amortisation	19, 20, 21	923,141	928,172
Amortisation of deferred fees	12(e), 10 (c)	(184,104)	-
Employee benefits asset and obligation	16(i)(d),(ii)(b)	55,100	217,900
Interest income	34	(12,459,101)	(10,208,289)
Interest expense	34	6,525,248	4,328,612
Gain from property/share swap		(1,254,460)	(285,696)
Gain on disposal of property, plant and equipment	36	(805,699)	(373,686)
Gain on investment activities	36	(1,412,180)	(801,316)
Unrealised fair value (gains)/losses	36	(59,493)	40,170
Share of profits of associates	18(b)	(442,161)	(126,899)
Impairment charge/ (credit) on financial assets	5(a)(ii)	270,377	(446,977)
Impairment charge on non financial asset		1,188,777	-
Unrealised exchange losses/(gains) on foreign currency balances		(532,066)	2,032,395
Income tax (credit)/expense	39	(133,589)	765,139
		(7,739,079)	(637,797)
Changes in:			
Cash reserves held at Bank of Jamaica		(149,965)	(186,891)
Loan advances, net of repayments		(10,389,687)	(8,729,676)
Related parties		(286,240)	-
Change in other assets		786,437	(316,663)
Employee benefits, net		(35,800)	(24,700)
Deposit from customers		7,204,999	15,776,570
Due to specialised institution		1,367,305	(3,795,410)
Change in other liabilities		(1,597,769)	1,977,593
		(10,839,799)	4,063,026
Interest received		10,606,794	8,197,386
Dividend received		124,804	276,479
Interest paid		(5,222,752)	(3,763,652)
Income taxes paid		(978,981)	(402,146)
Net cash (used in)/ provided by operating activities		(6,309,934)	8,371,093
Cash flows from investing activities			
Purchase of investments		(43,242,600)	(12,493,927)
Proceeds from disposal of investments		43,960,812	11,175,582
Resale agreements		(1,666,180)	5,177,449
Purchase of intangible assets	19	(518,514)	(448,477)
Acquisition of additional shares in associate		(628,175)	(534,119)
Capital injection in related entity		-	(150,000)
Proceeds from disposal of shares in associates		-	66,434
Repurchase agreements		(1,388,883)	(8,478,916)
Purchase of investment properties	20	(41,286)	(304,947)
Purchase of property, plant and equipment	21	(394,866)	(666,290)
Proceeds of disposal of investment properties		36,385	103,455
Proceeds of disposal of property plant and equipment		877,752	529,412
Net cash used in investing activities		(3,005,555)	(6,024,344)
Cash flows from financing activities			
Additions on other borrowings		20,396,620	6,546,389
Repayments of other borrowing	27	(11,783,450)	(4,721,003)
Payment of lease liabilities	28(b)	(79,102)	(58,640)
Net cash provided by financing activities		8,534,068	1,766,746
Net (decrease)/ increase in cash and cash equivalents for year		(781,421)	4,113,495
Cash and cash equivalents at beginning of year		9,878,057	7,796,957
Effect of exchange rate fluctuations on cash and cash equivalents		532,066	(2,032,395)
Cash resources at end of year	8	9,628,702	9,878,057

* See note 44

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

VM FINANCIAL GROUP LIMITED

COMPANY STATEMENT OF CASH FLOWS
Eleven-month period ended December 31, 2023

	Notes	2023 $'000
Cash flows from operating activities		
Loss for the period		(83,395)
Adjustments for:		
Interest income	34	(193,525)
Interest expense	34	754,263
Income tax credit	39	(19,790)
		457,553
Changes in:		
Other assets		(1,054,337)
Other liabilities		152,006
Related parties		(187,123)
		(631,901)
Interest received		60,708
Interest paid		(757,424)
Net cash used in operating activities		(1,328,617)
Cash flows from investing activity		
Interest in subsidiaries	40	(9,054,709)
Net cash used in investing activity		(9,054,709)
Cash flows from financing activities		
Additions to other borrowings	27	11,024,010
Net cash provided by financing activities		11,024,010
Net increase in cash and cash equivalents for the period		640,684
Cash and cash equivalents at end of period	8	640,684

1. IDENTIFICATION

(a) VM Financial Group Limited ("the Company") was incorporated on February 1, 2023, under the Jamaican Companies Act and is domiciled in Jamaica. The registered office of the Company is located at 6-10 Duke Street, Kingston, Jamaica.

The Company is a wholly owned subsidiary of VM Group Limited, incorporated in Jamaica.

The Company issued preference shares in a private listing and is listed on the Jamaica Stock Exchange.

The principal activities of the Company and its subsidiaries [note 1(b)] comprised granting loans, accepting deposits, trading in foreign currencies, stockbroking and securities trading, asset management, pension fund management, providing money transfer services, investing funds, investment and financial holding services.

The Company was formed as part of a Scheme of Arrangement ("the Scheme") for the restructuring of The Victoria Mutual Building Society ("Society") and its subsidiaries, in keeping with the requirements of the Banking Services Act, 2014. This Scheme which gave rise to the formation of the Company was sanctioned by order of the Supreme Court on November 24, 2022. Upon the Scheme taking effect on February 1, 2023, the subsidiaries listed at (b) were transferred to the Company (see note 43).

As the reorganisation is a transaction among entities under common control, the Group has applied predecessor value method of accounting. Under the predecessor method:

- The Group does not restate assets and liabilities to their fair values. Instead, the Group incorporates the assets and liabilities at the amounts recorded in the books of the combined companies, adjusted to achieve harmonisation of accounting policies.

- No goodwill arises.

- The financial statements incorporate the combined companies' results as if the companies had always been combined.

- The corresponding amounts in the financial statements for the previous year reflect the results of the combined companies, as though the restructuring occurred at the beginning of the prior year.

1. IDENTIFICATION (CONT'D)

(b) "Group" refers to the Company and its subsidiaries, which are as follows:

Entity	Country of incorporation	Nature of business	Percentage equity held by: The Company	Subsidiaries
The Victoria Mutual Building Society	Jamaica	Granting loans and accepting deposits	100	-
VM Investments Limited and its wholly-owned subsidiary:	Jamaica	Investment holding company and select corporate finance services	80	-
VM Wealth Management Limited	Jamaica	Stockbroking, securities trading, asset management, corporate finance and investment advisory services	-	100
V M Pensions Management Limited	Jamaica	Pension fund management and administration	100	-
Victoria Mutual Finance Limited	United Kingdom	Provision of management services to the Company and specialised lending in the UK	100	-
VM Money Transfer Services Limited	Jamaica	Management of money transfer services	99	-
VMBS Overseas (UK) Limited	United Kingdom	Promotion of the business of the Company	100	-

(c) Interest in associated companies

(i) The Company has a 44.45% (2022: 39.24%) interest in British Caribbean Insurance Company Limited, which is a general insurance company incorporated in Jamaica. This investment is accounted for under the equity method as an associated company in the financial statements.

(ii) VM Investments Limited, a subsidiary of VM Financial Group Limited, 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 financial statements. No goodwill was identified as part of the transaction.

(iii) VM Investments Limited, a subsidiary of VM Financial Group Limited, acquired a 23% interest in Kingston Properties Limited (KPREIT) on December 30, 2022.

2. REGULATIONS AND LICENCE

VM Financial Group Limited was granted its licence pursuant to section 19(2) of the Banking Services Act 2014 to operate as a Financial Holding Company by The Bank of Jamaica on November 15, 2023. One of the VM Financial Group Limited's subsidiaries, The Victoria Mutual Building Society, is licensed by the Bank of Jamaica, and its financial statements are delivered, under the Building Societies Act, the Banking Services Act 2014 and applicable Regulations.

Two of the VM Financial Group Limited's subsidiaries, VM Wealth Management Limited and VM Pensions Management Limited, are licensed by the Financial Services Commission. VM Wealth Management Limited is a licensed investment advisor and securities dealer. It is also a member of the Jamaica Stock Exchange and is regulated as a securities broker/dealer. VM Pensions Management Limited is a licensed pension fund manager.

VM Investments Limited is listed on the main market of the Jamaica Stock Exchange. VM Money Transfer Services Limited is licensed by Bank of Jamaica as a remittance service provider.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

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

New and amended standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements. The financial statements are prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IFRS Accounting Standards).

Effective January 1, 2023, the Group adopted the amendments to IAS 1, which resulted in the Group disclosing *material* accounting policies, rather than *significant* accounting policies, based on the following definition from the amended standard:

"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".

Other pronouncements under IFRS Accounting Standards did not result in any significant changes to amounts recognised or disclosed in these financial statements. See note 42.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

New and amended standards that became effective during the year (cont'd):

- 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.

- 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 amendments did not result in any changes to accounting policies themselves (see note 42). Instead, the key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised (note 15).

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations that are 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 1 *Presentation of Financial Statements* apply retrospectively and is effective for annual periods beginning on or after January 1, 2024. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.

  When a liability includes a counterparty conversion option that involves a transfer of the company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 *Financial Instruments: Presentation*. The IASB has now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

  Companies may have interpreted the existing IAS 1 requirements differently when classifying convertible debt. Therefore, convertible debt may become current.

- IFRS 18 *Presentation and Disclosure in Financial Statements,* is effective for annual reporting periods beginning on or after January 1, 2027. Under current IFRS Accounting Standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories (Operating, Investing and Financing) based on a company's main business activities. The Group is assessing the impact that the amendments will have on its future financial statements.

  All companies are required to report the newly defined 'operating profit' subtotal – an important measure for investors' understanding of a company's operating results – i.e. investing and financing activities are specifically excluded. This means that the results of equity-accounted investees are no longer part of operating profit and are presented in the 'investing' category.

  IFRS 18 also requires companies to analyse their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. Under the new standard, this presentation provides a 'useful structured summary' of those expenses. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a company provides more detailed disclosures about their nature.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations that are not yet effective (cont'd):

- IFRS 18 *Presentation and Disclosure in Financial Statements(cont'd)*

  IFRS 18 requires some 'non-GAAP' measures to be reported in the financial statements. It introduces a narrow definition for management performance measures (MPMs), requiring them to be a subtotal of income and expenses, used in public communications outside the financial statements and reflective of management's view of financial performance. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

  Companies are discouraged from labelling items as 'other' and will now be required to disclose more information if they continue to do so.

  The Group is assessing the impact that these standards will have on its future 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).

(ii) Certain debt instruments mandatorily classified at fair value through profit or loss.

(iii) Equity securities measured at fair value through profit or loss.

(iv) Certain equity securities designated as at FVOCI measured at fair value.

(v) The employee benefits asset recognised as plan assets, less the present value of the defined-benefit obligation, limited as explained in note 4(i); and

(vi) The defined-benefit liability measured as the present value of the unfunded obligations.

(c) Functional and presentation currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Jamaica dollars ($), which is the functional currency of the Company. The financial statements of other entities included in the financial statements that have different functional currencies are translated into Jamaica dollars in the manner set out in note 4(o). Amounts are rounded to the nearest thousand, unless otherwise stated.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies

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

The estimates and the assumptions underlying them, as well as the judgements, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

(i) Key sources of estimation uncertainty

(1) Impairment of financial assets:

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increases 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 4(n) and 5(a).

(2) Pension and other post-employment benefits

Determining employee benefit amounts to be included in the financial statements requires management to determine the fair value of plan assets and deduct the estimated present value of future benefits that employees have earned in current and prior periods.

Making these estimates requires certain assumptions, including a discount rate, inflation rate, rate of future increases in medical claims, pensions and salaries, as more fully set out in notes 4(i) and 16. Management provides its appointed actuaries with some of the information, including certain key assumptions used in estimating the employee benefit amounts. The uncertainty inherent in these assumptions could mean significant differences between actual results and the estimates determined by management.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

(3) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve.

The yield curve is, in turn, obtained from a pricing source which uses 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 (see notes 9, 10 and 33). Some other fair values are estimated based on quotes published by brokers/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instrument in an actual arm's length transaction.

(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 in note 18.

(ii) 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 agreed principles set out in IFRS.

The Group's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, and the Group exercises judgement in carrying out such designation.

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 [see note 4(b)(i)] requires management to make certain judgements on its business operations.

4. MATERIAL ACCOUNTING POLICIES

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

The Group adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of "material" rather than "significant" accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements (note 43).

(a) Basis of consolidation

The Scheme was accounted for as follows:

(i) Consolidated financial statements

In the financial statements for VM Financial Group Limited, the transaction is accounted for as a common control transaction using book value (carry-over basis) accounting, on the basis that the investment has simply been moved from one part of the Group to another.

(ii) Separate financial statements

The company accounted for the investments in subsidiaries and associates at the original cost transferred from the Society, the predecessor parent of the Group (or a proxy thereof). The issue of shares to the previous mutual fund equity holders was recognised at this cost.

The Group's financial statements include the financial statements of the Company and its subsidiaries, after eliminating intra-group amounts and remeasuring its investments in associates using the equity method.

Subsidiaries are those entities controlled by the Group. Control exists when the has power over an investee, exposure or rights to variable returns from its involvement with the investee, and ability to use its power to affect those returns.

Associated entities are those, other than a subsidiary or joint venture, over which the Group has significant influence, but not control, over financial and operating decisions. Significant influence is presumed to exist when the Group holds at least 20% but not more than 50% of the voting power of another entity.

The financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, from the date significant influence commences until the date significant influence ceases.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments - Classification, recognition and de-recognition, 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.

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

Management determines the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased. The Group classifies non-derivative financial assets into the following categories:

(i) Classification of financial instruments

Financial assets

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments - Classification, recognition and de-recognition, and measurement (cont'd)

(i) Classification of financial instruments (cont'd)

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

- *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. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 4(n). Interest income from these financial assets is included in 'Interest and similar income' 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.
- *Fair value through profit or loss (FVTPL):* Assets that do not meet the criteria for amortised cost or FVOCI. 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 within 'Other operating revenue' in the period in which it arises. Interest income on 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.

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 assets' performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments - Classification, recognition and de-recognition, and measurement (cont'd)

(i) Classification of financial instruments (cont'd)

Financial assets (cont'd)

- *Debt instruments* (cont'd)

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 Group 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. 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 payments 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 year.

- *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 FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

Gains and losses on equity investments at FVTPL are included in the 'Other operating revenue' caption in the income statement.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments - Classification, recognition and de-recognition, and measurement (cont'd)

(i) Classification of financial instruments (cont'd)

Financial liabilities

The Group classifies non-derivative financial liabilities into the "other financial liabilities" category. These are measured at amortised cost.

(ii) Recognition and derecognition - Non-derivative financial assets and liabilities

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The Group initially recognises debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

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

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.

The Group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group has a current legal right to offset the amounts and intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iii) Measurement gains and losses – non-derivative financial assets

The 'Investment in Jamaica Government securities " and 'Investment -Other" captions 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, with changes recognised in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities irrevocably designated as at FVOCI.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments - Classification, recognition and derecognition, and measurement (cont'd)

(iii) Measurement gains and losses – non-derivative financial assets (cont'd)

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;
- expected credit loss (ECL) charges and reversals; and
- foreign exchange gains and losses.

When a 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.

Gains and losses on equity instruments classified at FVOCI 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.

(c) Financial instruments – Other

(i) Cash resources

Cash resources are measured at amortised cost. They comprise of cash on hand and demand deposits, including unrestricted balances held with the central bank. 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, rather than for investment or other purposes.

These are highly liquid instruments, and include deposits where the maturities do not exceed three months from the acquisition date.

(ii) 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 and 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments – Other (cont'd)

(ii) Resale and repurchase agreements (cont'd)

Repurchase agreements are accounted for as short-term collateralised borrowing, and are measured at amortised cost. 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 measured 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.

(iii) Other assets

Other assets are measured at cost or amortised cost, less impairment losses.

(iv) Loans payable

Loans payable are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, with any difference between cost and redemption value recognised in profit or loss on the effective interest basis.

(v) Other liabilities

Other liabilities are measured at amortised cost.

(d) Leases

At inception of a contract, the Group 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.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement or transition date. The right-of-use asset is initially measured at cost, which comprises the present value of the lease liability, plus any initial direct costs incurred and estimated asset retirement costs, less any lease incentives received.

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

(i) As a lessee (cont'd)

The lease liability is initially measured at the present value of the future lease payments 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 accounts for the non-lease components separately.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources 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 in-substance 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 Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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 in-substance fixed lease payment.

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

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities as such in the statement of financial position.

(ii) Short-term leases and leases of low-value assets

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(e) Revenue recognition

Revenue arises in the course of the ordinary activities of the Group. The nature of the major items that comprise revenue and the recognition principles are as follow:

(i) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired [see note 4(n)], for which interest revenue is calculated by applying the effective interest rate to their adjusted amortised cost (i.e., net of the expected credit loss allowance).

(ii) Fees, commissions and other income

Commission and other fee income, including account servicing fees, investment management fees, sales commissions, and placement fees, are recognised as the related services are performed. When a loan commitment fee is not expected to result in the draw-down of a loan, it is recognised on the straight-line basis over the commitment period.

(f) Interest expense

Interest expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount.

(g) Fee and commission expenses

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(h) Income tax

Income tax on the results for the year comprises current and deferred income tax. Taxation is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income (OCI), in which case it is also recognised in OCI.

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 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 taxation purposes.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(h) Income tax (cont'd)

Deferred income 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 or substantively enacted as of the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

A deferred income 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 realised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax is not recognised for:

(i) temporary differences on the initial recognition of assets or liabilities in a transaction that is a business combination or that affects neither accounting nor taxable profit; and

(ii) temporary differences related to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future.

(i) Employee benefits

Employee benefits comprise all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions, annual vacation and sick leave, and non-monetary benefits, such as medical care and housing; post-employments benefits, such as pensions and medical care; other long-term employee benefits, such as long service awards; and termination 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 the related service is provided. The expected cost of vacation leave that accumulates is recognised over the period that the employee becomes entitled to the leave.

Post-employment benefits are accounted for as described in paragraphs (ii), (iii) and (iv) 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 during service and charged as an expense, unless not considered material, in which case they are charged when they fall due for actual payment.

The Group operates a defined-contribution pension plan and a defined-benefit pension plan (see note 14) to provide post-employment benefits.

The defined benefit plan was closed to new entrants effective December 31, 2016. The defined contribution plan was approved by the Financial Services Commission and Tax Administration Jamaica with an effective date of January 1, 2017 for 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 Group and employees in accordance with the respective Trust Deeds and Plan Rules.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits (cont'd)

(ii) Defined-contribution pension plan

Under the defined contribution plan, retirement benefits are based on the Group's and employees' accumulated contributions plus accretions and, therefore, the Group has no further liability to fund benefits.

(iii) Defined-benefit pension plan

The defined-benefit plan provides benefits for retired employees of Group entities. The subsidiaries are participating employers in a Group defined-benefit pension plan operated by the building society subsidiary. The building society subsidiary is directly responsible for any deficit in the plan. Additionally, all residual interest in the scheme belongs to the society. The plan is, therefore, accounted for as a defined-contribution plan in the financial statements of the individual participating subsidiaries. Each year, the sponsoring entity charges a contribution to each of the Group entities on an annual basis, based on the contributions recommended by the actuary.

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In respect of defined-benefit arrangements, the employee benefits asset and obligation included in the financial statements are determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Company's post-employment benefit asset and obligation as computed by the actuary.

The Group's net asset in respect of the defined-benefit pension plan is calculated by estimating the fair value of any plan assets and deducting the present value of future benefit that employees have earned in return for their service in the current and prior periods.

The discount rate is the yield at the reporting date on long-term government securities that have maturity dates approximating the terms of the Group's obligations. In the absence of such instruments in Jamaica, the rate is estimated by extrapolating from the longest tenure security on the market. The calculation is performed by the Group's independent qualified actuary using the Projected Unit Credit Method.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the income statement. The Group recognises gains and losses on the settlement of its defined benefit plan when the settlement occurs.

Remeasurements of the defined benefits asset, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in other comprehensive income. The Group determines the net interest income on the net defined benefit asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit asset, taking into account any changes in the net defined benefit asset during the year as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits (cont'd)

(iii) Defined-benefit pension plan (cont'd)

When the calculation results in a potential asset to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(iv) Other post-employment benefits

The Group provides post-employment medical and other benefits. The obligations with respect to these benefits are calculated on a basis similar to that for the defined-benefit pension plan.

(j) Interest in subsidiaries

Interest in subsidiaries is measured at cost less impairment losses. Dividends in the form of non-cash are recorded at the carrying value of the assets transferred.

(k) Intangible assets

(i) Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Computer software

Costs that are directly associated with acquiring identifiable software products which are expected to generate economic benefits beyond one year, are recognised as intangible assets. 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 expected useful lives, estimated between five to seven years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(l) Investment and foreclosed properties

(i) Investment property, held to earn rental income and/or for capital appreciation, is measured at cost, less accumulated depreciation and impairment losses. Lease income from investment property is accounted for on the straight-line basis.

(ii) In certain situations, the Group repossesses properties arising from foreclosure on loans in respect of which the borrower is in default. On the date of foreclosure, the repossessed collateral is measured at the carrying amount of the defaulted loan. It is thereafter measured at the lower of carrying amount and fair value less cost to sell and classified as held-for-sale.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(m) Property, plant and equipment and depreciation

(i) Cost

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

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

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

(b) Subsequent costs

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

(ii) Depreciation

Property, plant and equipment, with certain exceptions, are depreciated on the straight-line method at annual rates estimated to write off depreciable amounts over the assets' expected useful lives. The exceptions are freehold land, on which no depreciation is provided, and equipment on lease and leasehold improvements, which are amortised over the shorter of their useful lives and the lease terms.

The depreciation rates are as follows:

Buildings	2.5%
Office furniture and equipment	10 - 30%
Motor vehicles	20 - 25%
Right-of-use	Over life of lease

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

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(n) Identification and measurement of impairment

(i) Non-derivative financial assets

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

- financial assets that are debt instruments, including loans and investment securities; and
- lease receivables.

Framework

The Group applies a 'three-stage' model for impairment based on changes in credit quality since initial recognition, as summarised below:

- *Stage 1:* a financial instrument that is not credit-impaired on initial recognition. Credit risk is continuously monitored by the Group.
- *Stage 2:* a significant increase in credit risk ('SICR') since initial recognition is identified, but the financial instrument is not yet deemed to be credit impaired. See below for a description of how the Group determines when a significant increase in credit risk has occurred.
- *Stage 3:* a financial asset is credit impaired when one or more events (see below) that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Determining whether credit risk has increased significantly (Stage 2)

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative tests based on movement in Probabilities of Default (PD). 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;
- qualitative indicators; and
- a backstop of 30 days past due. 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. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate that its credit risk has declined sufficiently.

Credit-impaired financial assets (Stage 3)

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 it would not consider otherwise;

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(n) Identification and measurement of impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Credit-impaired financial assets (Stage 3) (cont'd)

Evidence that a financial asset is credit-impaired includes the following observable data (cont'd):

- the disappearance of an active market for a security because of financial difficulties;
- a loan that is overdue for 90 days or more, 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 sovereign 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.

Purchased or originated credit-impaired financial assets (POCI)

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.

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 is 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(n) Identification and measurement of impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Measurement of expected credit losses

Expected credit losses (ECL) are probability-weighted estimates of credit losses, measured as follows:

- ECL on financial instruments in Stage 1 are measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months.
- ECL on instruments in Stages 2 or 3 are measured based on expected credit losses on a lifetime basis.
- ECL on undrawn loan commitments are measured at the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive.
- ECL on financial guarantee contracts are measured at the expected payments to reimburse the holder, less any amounts that the Group expects to recover.
- ECL on trade and lease receivables are measured as an amount equal to lifetime ECL.

The ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (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 been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Research team on an annual basis and provide the best and worst estimate views of the economy based on the expected impact of interest rates, unemployment rates and gross domestic product (GDP). The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and comparing 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.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(n) Identification and measurement of impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Incorporation of forward-looking information

The Group formulates three economic scenarios: a base case, which is the median scenario, one upside and one downside scenario. 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. The economic scenarios used as at December 31, 2023, the following key indicators represent scores used to adjust the forward-looking information for Jamaica for the years 2023 to 2024:

	2023	2024
Unemployment rates	4.7%	5.0%
Base	0.6	0.6
Upside	0.3	0.3
Downside	0.6	0.6
Interest rates	7.0%	6.5%
Base	0.2	0.2
Upside	0.2	0.2
Downside	0.2	0.2
GDP Growth	2.0%	1.8%
Base	0.2	0.2
Upside	0.2	0.2
Downside	0.3	0.3
Inflation rates	5.5%	4.8%
Base	0.2	0.1
Upside	0.2	0.1
Downside	0.2	0.2

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.

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.
- Loan commitments and financial guarantee contracts: generally, as a provision.
- 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 allowance is disclosed and is recognised in OCI/retained earnings.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(n) Identification and measurement of impairment (cont'd)

(ii) 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. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU 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 or CGU. 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 or CGU exceeds its recoverable amount.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

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

(o) Foreign currencies

(i) Transactions and balances

Foreign currency transactions are converted into the functional currencies of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and, from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currencies and classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

4. MATERIAL ACCOUNTING POLICIES (CONT'D)

(o) Foreign currencies (cont'd)

(ii) Foreign subsidiaries

For the purpose of consolidating the financial statements of subsidiaries operating outside of Jamaica, assets and liabilities are translated at the closing rates and income and expenses at the average rates for the year. Translation differences are recognised in other comprehensive income and included in the currency translation reserve.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such an item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or Group that allocates resources to, and assesses the performance of, the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker. Income and expenses directly associated with each segment are included in determining business segment performance. The Group's internal measures used in reporting segment information are consistent with the IFRS. Reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

5. FINANCIAL RISK MANAGEMENT

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 the use of financial instruments in the ordinary course of business:

- credit risk
- market risk
- liquidity risk
- operational risk

Notes 5(a) to (d) present information about the Group's exposure to each of the above-listed risks and the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Board of Directors of the Company has overall responsibility for approving and overseeing management's implementation of the Group's business strategy, risk appetite, enterprise risk management (ERM) framework and policies. The Board has established the following committees for risk management purposes:

(i) Group Finance and Risk Management Committee
(ii) Corporate Governance, Nomination and Compensation Committee
(iii) Group Audit Committee
(iv) Group Digital and IT Committee

5. FINANCIAL RISK MANAGEMENT (CONT'D)

Risk management framework (cont'd)

These committees are responsible for developing and/or monitoring risk management policies in their specified areas. All Board committees are comprised of non-executive members and report to the Company's Board of Directors on their activities.

The Group Finance and Risk Management Committee is responsible for designing and monitoring an integrated approach to risk management across the Group and ensuring its effectiveness consistent with the strategic risk appetite of the Group. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which the Board, management, team members and all stakeholders of the Group understand their roles, obligations and respective risk exposures.

There are, in addition, an Asset and Liability Committee ("ALCO"), a Credit Committee and an Executive Enterprise Risk Management (ERM) Committee, comprising members of executive management. These Committees report to the Group Finance and Risk Management Committee of the Board. The ALCO has responsibility for liquidity management, interest rate and foreign exchange risk management, capital adequacy management and oversight of treasury performance. The Credit Committee has responsibility for the implementation of appropriate policies and procedures to support the credit review and approval process for the Group. The Executive ERM Committee provides a first layer of oversight for the Group's ERM framework, including methods, policies and procedures to identify, assess, monitor and report on material risks to the attainment of the Group's key performance objectives.

VM Financial Group Limited, Victoria Mutual Building Society, VM Investments Limited, VM Wealth Management Limited and VM Pensions Management Limited have audit committees. The Company's Audit Committee is responsible for monitoring the Group's compliance with the ERM policies and procedures. The Audit Committees are assisted in these functions by Group Internal Audit, which undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committees.

The main risks to which the Group is exposed are managed as follows:

(a) 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 in lending activities, investing and stock broking, and in deposits with other financial institutions. Financial assets arising from these activities include loans and other receivables, investment securities, resale agreements, cash resources and accounts receivable.

(i) Exposure to credit risk

The maximum credit exposure, that is, the amount of loss that would be suffered if all counter parties to the Group's financial assets were to default at once, is represented as follows:

(1) For financial assets recognised in the statement of financial position:

The carrying amount of financial assets shown on the statement of financial position.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(i) Exposure to credit risk (cont'd)

The maximum credit exposure, that is, the amount of loss that would be suffered if all counter parties to the Group's financial assets were to default at once, is represented as follows (cont'd):

(2) For financial assets not recognised in the statement of financial position:

	Group	
	2023	2022
	$'000	$'000
Loan commitments	9,168,821	9,076,458

(ii) Management of credit risk attaching to key financial assets

- Loans receivable

Credit risk is the single largest risk for the Group's business. Credit risk management and control is delegated to the Group's Finance and Risk Management Committee. The Committee is responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties and related parties.

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 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 losses (ECL) under IFRS 9. See note 4(n) for discussion on measurement of ECL.

The key judgements and assumptions adopted by the Group in addressing the requirements of IFRS 9 are discussed below:

- *Credit risk grades*

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

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

- Debt securities

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

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.

Maximum exposure to credit risk and credit quality analysis

The following tables set 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. For loan commitments, the amounts in the table represent the amounts committed.

- Loans receivable at amortised cost:

	Group				
	2023				2022
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000 Restated*
Credit grade					
Grade 3 - Low risk	29,556,332	424,713	807,821	30,788,866	26,008,006
Grade 4 -5	76,486,178	2,405,978	6,721,176	85,613,332	79,294,663
Grade 6 - 8	2,616,672	181,919	462,840	3,261,431	3,477,175
Grade 9 - 10 - High risk	-	558,361	2,072,686	2,631,047	2,922,937
	108,659,182	3,570,971	10,064,523	122,294,676	111,702,781
Loss allowance	(52,817)	(6,507)	(304,853)	(364,177)	(313,172)
Carrying amount	108,606,365	3,564,464	9,759,670	121,930,499	111,389,609

	Group				
	2023				2022
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000 Restated*
Aging of loans receivables					
Current	101,714,389	391,378	3,584,577	105,690,344	96,843,609
Past due 1-30 days	6,923,270	140,074	1,581,787	8,645,131	6,804,409
Past due 31-60 days	21,523	2,313,328	1,526,259	3,861,110	3,256,228
Past due 61-90 days	-	726,192	876,457	1,602,649	2,675,555
Over 90 days	-	-	2,495,442	2,495,442	2,122,980
	108,659,182	3,570,972	10,064,522	122,294,676	111,702,781
Loan commitments					
Grades 1-3: Low risk	9,168,821	-	-	9,168,821	9,076,458
Loss allowance	(1,103)	-	-	(1,103)	(6,369)

* Restated see note 44

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

- Debt securities, resale agreements and cash at amortised costs:

	Group 2023				2022
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Total $'000 Restated*
Credit grade					
Investment grade	4,105,676	837,404	-	4,943,080	5,949,399
Non-investment grade*	19,016,838	2,694,215	-	21,711,052	16,883,712
	23,122,514	3,531,619	-	26,654,132	22,833,111
Loss allowance	(241,291)	(10,853)	-	(252,144)	(130,822)
Carrying amount	22,881,223	3,520,766	-	26,401,988	22,702,289

- Other assets at amortised cost:

	Group 2023				2022
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Total $'000 Restated*
Credit grade					
Performing	7,895,450	243,054	-	8,138,504	8,189,278
Non-performing	-	-	718,967	718,967	707,946
Default	-	-	721,246	721,246	41,939
Gross carrying amount	7,895,450	243,054	1,440,213	9,578,717	8,939,163
Loss allowance	(7,753)	(6,042)	(694,381)	(708,176)	(510,126)
Carrying amount	7,887,697	237,012	745,832	8,870,541	8,429,037

	Company 2023			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Credit grade				
Non-investment grade*	1,171,978	-	-	1,171,978
Gross carrying amount	1,171,978	-	-	1,171,978

* Non-investment grade financial assets have credit ratings that range from BB+ to Default

- Debt securities at FVOCI:

	Group 2023					2022
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Purchase credit impaired $'000	Total $'000	Total $'000 Restated*
Credit grade						
Investment grade	3,623,812	-	-	-	3,623,812	4,099,385
Non-investment grade*	27,741,478	452,893	-	1,060,394	29,254,765	29,194,584
	31,365,290	452,893	-	1,060,394	32,878,577	33,293,969
Loss allowance	(36,650)	(39,688)	-	-	(76,338)	(176,849)

* Non-investment grade financial assets have credit ratings that range from BB+ to Default

* Restated see note 44

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

Reconciliation of allowances for ECL

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

- Debt securities, loans receivable and resale agreements at amortised cost:

	Group 2023				2022
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Total $'000 Restated*
Balance at January 1	235,794	56,438	661,888	954,120	1,413,177
Transfer to Stage 1	41,113	(4,363)	(36,750)	-	-
Transfer to Stage 2	(1,729)	4,239	(2,510)	-	-
Transfer to Stage 3	(1,096)	(7,424)	8,520	-	-
New financial assets originated/purchased	20,414	2,217	273,093	295,724	86,957
Financial assets fully derecognised during the period	(95,699)	(33,847)	(22,147)	(151,693)	(116,722)
Changes to inputs used in ECL calculation	112,092	5,983	102,227	220,302	(409,733)
Foreign exchange adjustment	7,728	158	910	8,796	(5,367)
Net remeasurement of loss allowance**	82,823	(33,037)	323,343	373,129	(444,865)
Other movements:					
Write off against provisions	-	-	(2,752)	(2,752)	(14,192)
Balance at December 31	318,617	23,401	982,479	1,324,497	954,120

- Debt securities at FVOCI:

	Group 2023				2022
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Total $'000
Balance at January 1	132,402	44,447	-	176,849	178,961
Adjustment to fair value reserve		-	-	-	-
Transfer to Stage 2	(63,997)	63,997	-	-	-
Transfer to Stage 3		-	-	-	-
New financial assets originated or purchased	10,710	-	-	10,710	15,030
Financial assets fully derecognised during the period	(21,977)	(44,363)	-	(66,340)	(16,327)
Changes to inputs used on ECL calculation **	(22,195)	(24,393)	-	(46,588)	1,189
Foreign exchange adjustment	1,707	-	-	1,707	(2,004)
Net remeasurement of loss allowance	(95,752)	(4,759)	-	(100,511)	(2,112)
Balance at December 31	36,650	39,688	-	76,338	176,849

** This represents changes in the driving parameters, i.e., probability of default, loss given default, exposure at default and forward-looking information for the respective financial assets

* Restated see note 44

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

Reconciliation of allowances for ECL (cont'd)

- Impairment charge/(credit) on financial assets during the year is summarized below:

	Group	
	2023	2022
	$'000	$'000
Investment securities at amortised cost (note 9,10)	111,333	(137,964)
Investment securities at FVOCI [note 5a (ii)]	(100,511)	(2,112)
Loans and notes receivable [note 12(b)]	51,005	(243,054)
Resale agreement (note 11)	95	(308)
Other receivable [note 14 (b)]	198,050	(63,539)
Other financial assets (note 8)	10,405	-
	270,377	(446,977)

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributes to changes in the loss allowance.

	2023		
	Impact: Increase/(decrease)		
	Stage 1	Stage 2	Stage 3
Loans and advances to customers at amortised cost			
Increase in retail credit card loans due to strategic growth initiative	3,965	-	52,099

	2022		
	Impact: Increase/(decrease)		
	Stage 1	Stage 2	Stage 3
Debt investment securities FVOCI			
Improved risk ratings on corporate bonds	(14,028)	(18,162)	-

Loans with renegotiated terms

Loans with renegotiated terms have been restructured due to deterioration in the borrowers' financial position and the Group has made concessions that it would not otherwise consider. Once a loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring.

At the request of the borrowers, some loans have been restructured with renegotiated terms; arising from changes or anticipated changes in the borrowers' financial position and payment capacity. The Group has accommodated these changes and the loans have returned to satisfactory performance.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(ii) Management of credit risk attaching to key financial assets (cont'd)

Reconciliation of allowances for ECL (cont'd)

- Loss allowance recognised in income statement on financial assets during the year is summarized below (cont'd):

  Loans with renegotiated terms

  As at December 31, 2023, the outstanding principal balances on loans that were restructured during the year amounted to $1,700,000,000. (2022: $600,000,000). The ECL amounts that were transferred from lifetime to 12 months amounted to $41,113,000 (2022: $29,965,000)

  Write-off policy, applicable for both periods

  The Group writes off loans (and any related allowances for impairment losses) when it determines that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrowers' financial position, or that proceeds from collateral will not be sufficient to cover the entire exposure.

  Collateral

  Loan collateral represents mortgages over property, liens over motor vehicles and hypothecation of deposits held. The fair value of collateral that the Group held for loans past due (greater than three months) was $34,571,752,075 (2022: $32,771,890,227) in [see note 5(a)(iii)].

  Foreclosure

  The Group sometimes acquires properties by way of foreclosure in the process of recovering amounts from defaulting borrowers. At the reporting date, the carrying amount of these assets was $113,000 (2022: Nil). The Group's policy is, in accordance with regulatory requirements, to pursue realisation of the collateral in a timely manner, that is, within three years of foreclosure. No financial or other assets (other than real property mentioned herein) were obtained during the year by taking possession of collateral.

(iii) Collateral and other credit enhancements held against financial assets

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities over other assets, and guarantees. Professional and other means are used to arrive at fair value of such collateral, based on the value of collateral assessed at the time of borrowing. These collateral values are updated across board annually, with individual focus given to individual collateral values (including but not limited to professional valuations) when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(iii) Collateral and other credit enhancements held against financial assets (cont'd)

(1) Cash resources

These are held with regulated financial institutions and collateral is not required for such accounts, as management regards the institutions as strong.

(2) Investment securities

The Group manages the level of risk it undertakes by investing substantially in short-term investments, such as Government of Jamaica securities, and subsequently monitoring the financial condition and performance of the debtors/issuers. There is significant concentration in securities issued or guaranteed by Government of Jamaica.

(3) Resale agreements and certificates of deposit

Collateral is held for resale agreements other than those acquired from Bank of Jamaica, as set out in note 5(a)(iii) below.

(4) Other assets

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet repayment obligations and by changing these lending limits where appropriate.

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to collateral requirements		
	2023	2022	Collateral type
Loan advances to retail customers			
Mortgage lending	100%	100%	Real property
Auto loans	100%	100%	Liens on motor vehicles
Cash secured loans	100%	100%	Hypothecation of deposits
Credit cards	-	-	
Unsecured lending	-	-	
Loan advances to customers *			
Margin loans	75%	99%	Debt and equity securities
Corporate loans	100%	100%	Real property, shares, debt securities
Resale agreements	**100%**	**100%**	**Debt securities**

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. These arise mainly from changes in interest rates, foreign exchange rates, credit spreads and equity prices and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

The Group separates its exposure to market risks between amortised cost, fair-value through profit and loss and fair value through other comprehensive income. Market risks are monitored by ALCO. The ALCO monitors the price movement of securities on the local and international markets for both debt and equity securities. Market risk is managed through the use of Board-approved limits, by offsetting financial assets and liabilities and maintaining matched portfolios of foreign currency financial assets and liabilities and by maintaining currency portfolio long and short gap position.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates and exchange rates.

Management and monitoring of market risks

Interest rate risk and the other market risks associated with all portfolio are also monitored by the ALCO and managed in the following way:

(i) Interest rate risk

Interest rate risk is the potential for economic loss due to future interest rate changes within a specified period. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities. It can be reflected as a loss of future net interest income and/or a decline in current fair values.

The Group manages the risk by monitoring the savings fund to ensure its stability, by monitoring lending activity, by adjusting interest rates to the extent practicable within the overall policy of encouraging long-term savings and facilitating home ownership, and by carefully managing interest margins.

The following table summarises the carrying amounts of financial assets and liabilities in the statement of financial position to arrive at the Group's interest rate gap, based on the earlier of contractual re-pricing and maturity dates.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

Management and monitoring of market risks (cont'd)

(i) Interest rate risk (cont'd)

A summary of the interest rate gap at the reporting date, using historical data as a basis, is as follows:

	Group					
	2023					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	4,581,484	-	-	-	6,517,984	11,099,468
Jamaica Government Securities	1,852,169	717,992	2,722,804	19,612,422	2,966	24,908,353
Other investments	40,957	1,720,337	4,676,125	13,038,142	7,188,882	26,664,443
Resale agreements	1,528,941	1,784,753	468,882	-	-	3,782,576
Loans	-	121,930,499	-	-	-	121,930,499
Due from related Entities	-	-	-	-	637,159	637,159
Other assets	-	296,824	1,046,413	3,336,362	4,190,942	8,870,541
Total financial assets	8,003,551	126,450,405	8,914,224	35,986,926	18,537,933	197,893,039
Savings fund	81,700,371	18,227,689	33,099,947	9,201,169	394,437	142,623,613
Due to specialised institution	-	-	-	1,936,552	2,379	1,938,931
Other liabilities	-	-	-	-	4,437,660	4,437,660
Repurchase agreements	743,325	10,657,986	4,947,572	-	-	16,348,883
Lease liabilities	-	-	-	341,454	-	341,454
Due to related Entities	-	-	-	-	17,401	17,401
Other borrowings	4,144	7,066,437	2,383,250	15,986,612	8,277	25,448,720
Total financial liabilities	82,447,840	35,952,112	40,430,769	27,465,787	4,860,154	191,156,662
Total interest rate sensitivity gap *	(74,444,289)	90,498,293	(31,516,545)	8,521,139	13,677,779	6,736,377
Cumulative gap	(74,444,289)	16,054,004	(15,462,541)	6,941,402	6,736,377	-

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

Management and monitoring of market risks (cont'd)

(i) Interest rate risk (cont'd)

	Group					
	2022 Restated*					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	6,439,287	9,675	-	-	4,749,896	11,198,858
Jamaica Government Securities	576,742	1,373,403	347,792	21,039,294	-	23,337,231
Other investments	198,906	1,027,529	5,696,918	12,478,214	7,897,825	27,299,392
Resale agreements	638,219	627,148	851,124	-	-	2,116,491
Loans	-	111,389,609	-	-	-	111,389,609
Due from related entities	-	-	-	-	333,519	333,519
Other assets	-	181,300	258,233	5,155,956	2,833,548	8,429,037
Total financial assets	7,853,154	114,608,664	7,154,067	38,673,464	15,814,788	184,104,137
Savings fund	78,609,324	16,255,096	33,040,073	5,470,157	933,736	134,308,386
Due to specialised institution	-	-	-	570,999	628	571,627
Other liabilities	-	-	-	-	6,179,126	6,179,126
Repurchase agreements	1,881,333	10,823,537	4,966,736	-	43,056	17,714,662
Lease liabilities	-	-	59,181	291,822	66,345	417,348
Other borrowings	6,029	5,554,654	3,080,391	7,189,117	1,005,359	16,835,550
Total financial liabilities	80,496,686	32,633,287	41,146,381	13,522,095	8,228,250	176,026,699
Total interest rate sensitivity gap *	(72,643,532)	81,975,377	(33,992,314)	25,151,369	7,586,538	8,077,438
Cumulative gap	(72,643,532)	9,331,845	(24,660,469)	490,900	8,077,438	-

* The gap is in relation to items recognised in the statement of financial position. There are no "off balance sheet" exposures.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

Management and monitoring of market risks (cont'd)

(i) Interest rate risk (cont'd)

	Company					
	2023					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	-	-	-	-	640,684	640,684
Due from related entities	-	-	-	-	380,290	380,290
Other assets	-	-	-	-	1,171,978	1,171,978
Total financial assets	-	-	-	-	2,192,952	2,192,952
Due to related entities	-	-	-	-	193,797	193,797
Other liabilities	-	-	-	-	148,845	148,845
Other borrowings	-	-	-	11,024,010	-	11,024,010
Total financial liabilities	-	-	-	11,024,010	342,642	11,366,652
Total interest rate sensitivity gap *	-	-	-	(11,024,010)	1,850,310	(9,173,700)
Cumulative gap	-	-	-	(11,024,010)	(9,173,700)	

* The gap is in relation to items recognised in the statement of financial position. There are no "off balance sheet" exposures.

Sensitivity to interest rate movements

The following table shows the effect on profit and reserves of a reasonably possible change in interest rates. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis as for 2022.

	Group	
	2023	
	Increase	Decrease
Jamaica dollar	25 basis points	25 basis points
Foreign currencies	25 basis points	25 basis points
	$'000	$'000
Effect on surplus for the year	353,232	(3,665,486)
Effect on reserves	948,189	3,370,937

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

Management and monitoring of market risks (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity to interest rate movements

	Group	
	2022	
	Increase	Decrease
Jamaica dollar	100 basis points	50 basis points
Foreign currencies	100 basis points	50 basis points
	$'000	$'000
Effect on profit for the year	2,216,174	75,867
Effect on reserves	40,297,775	3,419,075

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations in respect of transactions and balances that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the United States dollar (USD), Canadian dollar (CAD) and the British Pound (GBP).

The Group manages this risk by ensuring that the net exposure is kept to an acceptable level through matching foreign currency assets and liabilities as far as practicable. At the reporting date, the net exposure, in nominal currencies, were as follows:

	Group		
	2023		
	USD	GBP	CAD
	'000	'000	'000
Foreign currency assets	345,560	147,491	13,784
Foreign currency liabilities	(338,360)	(88,828)	(9,731)
Net foreign currency assets	7,200	58,663	4,053

	Group		
	2022		
	USD	GBP	CAD
	'000	'000	'000
Foreign currency assets	329,975	140,785	10,501
Foreign currency liabilities	(335,960)	(91,755)	(10,429)
Net foreign currency assets	(5,985)	49,030	72

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

Management and monitoring of market risks (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements

The Group uses the average of Bank of Jamaica's buying and selling rates for balances denominated in foreign currencies [see policy 4(o)]; the rates are as follows:

	Group	
	2023	2022
	J$	J$
United States dollar	154.27	151.01
Pound Sterling	194.23	179.50
Canadian dollar	116.90	108.20

A 1% (2022: 1%) strengthening of the Jamaica dollar against the relevant currencies at the reporting date would have increased/(decreased) surplus by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	Group	
	2023	2022
	$'000	$'000
United States Dollar	(11,107)	9,038
Pound Sterling	(113,941)	(88,009)
Canadian Dollar	(4,738)	(78)
	(129,786)	(79,049)

A 4% (2022: 4%) weakening of the Jamaica dollar against the relevant currencies at the reporting date would have (decreased)/increased surplus by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	Group	
	2023	2022
	$'000	$'000
United States Dollar	44,430	(36,152)
Pound Sterling	455,765	352,035
Canadian Dollar	18,951	312
	519,146	316,195

(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.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

Management and monitoring of market risks (cont'd)

(iii) Equity price risk (cont'd)

The equity securities which the Group holds are listed on the Jamaica Stock Exchange. A 6% increase in share prices would result in an increase in surplus of $1,740,297,000 for the Group. A 3% decrease in share prices would result in a decrease in surplus of $870,463,000 for the Group. As at December 31, 2023, the Group holds equity securities classified as fair value through other comprehensive income. A 6% increase in share prices would result in an increase in other comprehensive income of $30,600,000. A 3% decrease in share prices would result in a decrease in other comprehensive income of $15,300,000.

There was no change during the year in the nature of the market risks to which the Group is exposed or the way in which it measures and manages these risks.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to raise cash to settle its financial obligations as they fall due or to meet its lending obligations to maintain public and stakeholder confidence. Liquidity risk could result from the Group's inability to manage unplanned decreases or changes in funding sources and the failure to recognise or address changes in market conditions that affect the Group's ability to liquidate assets quickly and with minimal loss in value. Prudent liquidity risk management requires the Group to maintain sufficient cash and high quality marketable securities, monitor future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

The management of the Group establishes and implements procedures to ensure that the Group maintains sufficient liquidity, including a buffer of unencumbered, high quality liquid assets, to meet liabilities that fall due in the short term; to meet any demands for funds by its members and creditors and to withstand a range of stress events, including those involving loss or impairment of both secured and unsecured funding sources.

The daily liquidity position is monitored by reports covering the positions of the Group. All liquidity policies and procedures are subject to review and approval by the Group Finance and Risk Management Committee.

The building society subsidiary, The Victoria Mutual Building Society is subject to externally imposed liquidity ratios. These ratios are taken into account by management in its measurement and management of liquidity risk.

(i) The key measure used for managing liquidity risk of the Society is the ratio of net liquid assets to prescribed liabilities. For this purpose, liquid assets include cash, cash equivalents and investment in debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. This calculation is used to measure the Society's compliance with the liquidity limit established by Bank of Jamaica.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(i) (Cont'd)

	Ratio of net liquid assets to deposits from customers	
	2023	2022
Regulator's minimum required ratio	5.00%	5.00%

	Ratio of net liquid assets to deposits from customers	
	2023	2022
Actual ratios:		
As at December 31	8.24%	6.78%
Average for the year	6.49%	5.93%
Highest % attained for the year	8.24%	6.78%
Lowest % attained for the year	5.00%	5.08%

(ii) The securities dealer subsidiary, VM Wealth Management Limited, manages liquidity 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. 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 as follows:

	Ninety-day liquidity gap ratio	
	2023	2022
Actual ratio	67%	75.32%

(iii) Maturity profile

An analysis of the undiscounted cash flows required to settle the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating the timing of settlement of the amounts recognised in the statement of financial position. The Group does not expect that all its customers will demand the payment of funds at the earliest date possible.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) Maturity profile (cont'd)

	Group						
	2023						
	Contractual undiscounted cash flows						
	Carrying amount $'000	Total cashflow $'000	Within 1 month $'000	One to 3 months $'000	Three to 12 months $'000	One to 5 years $'000	Over 5 years $'000
Financial assets							
Cash and cash equivalents	9,628,702	9,760,161	7,980,438	1,159,806	619,917	-	-
Balances with central Banks	1,470,766	1,470,766	-	-	-	-	1,470,766
Jamaica Government securities	24,908,353	25,851,538	1,859,906	769,706	2,770,439	8,150,670	12,300,817
Other investments	26,664,443	27,038,163	853,215	920,216	3,089,418	12,573,314	9,602,000
Resale agreements	3,782,576	3,807,880	383,745	1,037,076	2,387,059	-	-
Loans	121,930,499	143,376,154	342,832	12,124,218	1,888,201	6,013,061	123,007,842
Other assets	8,870,541	9,502,625	542,013	3,895,135	3,659,998	1,405,479	-
Total financial assets	197,255,880	220,807,287	11,962,149	19,906,157	14,415,032	28,142,524	146,381,425
Financial liabilities							
Due to savers	142,623,613	145,220,587	82,345,025	18,227,689	33,994,805	9,211,817	1,441,251
Due to specialise institutions	1,938,931	2,812,972	7,848	15,696	65,212	380,318	2,343,898
Other liabilities	3,541,582	3,542,582	1,874,834	1,667,748	-	-	-
Lease liabilities	341,454	459,617	3,763	18,439	67,865	276,257	93,293
Due to related parties	17,401	17,401	-	17,401	-	-	-
Repurchase agreement	16,348,883	16,535,099	752,188	10,095,624	5,622,899	24,388	-
Other borrowings	25,448,720	29,517,072	11,112	8,223,622	2,993,751	18,288,587	-
	190,260,584	198,105,330	84,994,770	38,266,219	42,784,532	28,181,367	3,878,442
Unrecognised loan Commitments	9,168,821	9,168,821	9,168,821	-	-	-	-
	199,429,405	207,274,151	94,163,591	38,266,219	42,784,532	28,181,367	3,878,442
On statement of financial position gap being total liquidity gap	(2,173,525)	13,533,136	(82,201,442)	(18,360,062)	(28,369,500)	(38,843)	142,502,983
Cumulative gap	-	-	(82,201,442)	(100,561,504)	(128,931,004)	(128,969,847)	13,533,136

	Group						
	2022						
	Contractual undiscounted cash flows						
	Carrying amount $'000	Total cashflow $'000	Within 1 month $'000	One to 3 months $'000	Three to 2 months $'000	One to 5 years $'000	Over 5 years $'000
Financial assets							
Cash and cash equivalents	9,878,057	9,439,863	8,266,458	1,173,405	-	-	-
Balances with central Banks	1,320,801	1,320,801	-	-	-	-	1,320,801
Jamaica Government securities	23,337,231	23,976,124	587,555	402,778	252,570	15,374,780	7,358,441
Other investments	27,299,393	28,145,347	237,680	847,185	5,197,014	14,886,630	6,976,838
Resale agreements	2,116,492	2,156,950	608,086	792,514	756,350	-	-
Loans	111,389,609	133,304,209	47,887	10,235,855	2,042,317	6,468,057	114,510,093
Other assets	8,429,037	8,411,765	107,571	2,890,005	258,233	5,155,956	-
Total financial assets	183,770,618	206,755,059	9,855,237	16,341,742	8,506,484	41,885,423	130,166,173

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) Maturity profile (cont'd)

	Group						
	2022						
			Contractual undiscounted cash flows				
	Carrying amount $'000	Total cashflow $'000	Within 1 month $'000	One to 3 months $'000	Three to 2 months $'000	One to 5 years $'000	Over 5 years $'000
Financial liabilities							
Due to savers	134,308,386	135,242,539	78,878,597	16,311,848	33,579,859	4,488,331	1,983,904
Due to specialise institutions	571,627	816,996	2,300	4,452	20,329	108,320	681,595
Other liabilities	5,802,159	5,143,213	3,086,655	1,614,168	442,390	-	-
Lease liabilities	417,348	565,112	28,680	6,537	75,243	325,594	129,058
Due to related parties							
Repurchase agreement	17,714,662	18,062,867	1,906,391	10,799,695	5,356,781	-	-
Other borrowings	16,835,550	17,598,353	1,468,169	4,770,323	4,257,377	7,102,484	-
	175,649,732	177,429,080	85,370,792	33,509,183	43,742,779	12,024,729	2,794,557
Unrecognised loan Commitments	9,076,458	9,168,821	9,168,821	-	-	-	-
	184,726,190	186,597,901	94,539,613	33,509,183	43,742,779	12,024,729	2,794,557
On statement of financial position gap being total liquidity gap	(955,572)	20,157,158	(84,684,376)	(17,176,441)	(35,236,295)	29,860,694	127,371,616
Cumulative gap	-	-	(84,684,376)	(101,851,817)	(137,088,112)	(107,227,418)	20,144,198

	Company						
	2023						
			Contractual undiscounted cash flows				
	Carrying amount $'000	Total cashflow $'000	Within 1 month $'000	One to 3 months $'000	Three to 12 months $'000	One to 5 years $'000	Over 5 years $'000
Financial assets							
Cash and cash equivalents	640,684	772,143	152,226	-	619,917	-	-
Other assets	1,171,978	1,552,055	-	52,740	93,836	1,405,479	-
Total financial assets	1,812,662	2,324,198	152,226	52,740	713,753	1,405,479	-
Financial liabilities							
Due to related parties	17,401	17,401	17,401	-	-	-	-
Other borrowings	11,024,010	14,019,882	-	288,217	867,817	12,863,848	-
	11,041,411	14,037,283	17,401	288,217	867,817	12,863,848	-
On statement of financial position gap being total liquidity gap	(9,228,749)	(11,713,085)	134,825	(235,477)	(154,064)	(11,458,369)	-
Cumulative gap	-	-	134,825	(100,652)	(254,716)	(11,713,085)	(11,713,085)

There was no change to the Group's approach to managing liquidity risk during the year.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to eliminate control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to the Executive ERM Committee with oversight given by the Group Finance and Risk Management Committee. This responsibility is supported by overall Group standards for the management of operational risk to minimise exposure to key operational risk areas, including new products and marketing initiatives, continuity of critical services and processes, talent retention and development, information security and internal and external fraud. Where these risks arise, the Group will consider the impact to its reputation and take measures to mitigate the risk, within the context of its relevant risk appetite.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Group Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to senior management of the Group and the Audit Committees.

6. SEGMENT REPORTING

The Group is organised into the following business segments:

(a) Consumer & business banking – This incorporates the granting of loans and accepting deposits.

(b) Wealth, asset management & investment banking – This incorporates stock brokerage, securities trading, asset management, corporate finance, investment advisory services and other financial services provided by overseas subsidiaries.

(c) Pension fund management – This incorporates pension fund management and administration.

(d) Money transfer services – This incorporates the provision of money transfer services.

(e) Other operations of the Group – this comprises the parent company.

Unallocated assets and liabilities:

Unallocated assets and liabilities comprise current income tax payable and recoverable, deferred income tax assets and liabilities and retirement asset and obligation.

VM FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

6. SEGMENT REPORTING (CONT'D)

	Group						
	2023						
	Consumer & business banking	Wealth management & investment banking	Pension fund management	Money transfer services	Other	Consolidation adjustments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Net interest income	5,873,082	621,361	8,995	(8,847)	(560,738)	-	5,933,853
Net fee and commission income	289,691	1,224,591	375,093	226,112	(9,133)	(166,406)	1,939,948
Other operating revenue	2,050,914	988,159	15,575	556,293	3,325,819	(2,352,591)	4,584,169
Net interest income and other revenue	8,213,687	2,834,111	399,663	773,558	2,755,948	(2,518,997)	12,457,,970
Personnel costs	(3,418,995)	(1,103,867)	(228,327)	(325,751)	(37,733)	(43,575)	(5,158,248)
Impairment charge on financial assets	(97,286)	(169,016)	(4,075)	-	-	-	(270,377)
Depreciation and amortisation	(718,520)	(121,928)	(29,087)	(53,540)	-	-	(923,075)
Other operating expenses	(4,286,505)	(1,039,962)	(84,151)	(271,417)	(70,234)	840,157	(4,912,112)
Total operating expenses	(8,521,306)	(2,434,773)	(345,640)	(650,708)	(107,967)	796,582	(11,263,812)
Share of profits or associates	-	164,411	-	-	-	277,750	442,161
Impairment credit charge on non-financial assets					(2,751,166)	1,562,389	(1,188,777)
Profit/(loss) before income tax	(307,619)	563,749	54,023	122,850	(103,185)	117,724	447,542
Income tax charge	250,263	(77,286)	(22,190)	(36,988)	19,790	-	133,589
Profit/(loss) for the year	(57,356)	486,463	31,833	85,862	(83,395)	(117,724)	581,131
Segment assets	174,123,758	42,623,626	371,988	809,416	26,671,360	(37,925,400)	206,674,748
Unallocated assets							3,395,563
Total assets							210,070,311
Investment in associates	-	1,719,260	-	-	1,816,951	1,205,088	4,741,299
Segment liabilities	153,914,607	38,902,225	113,540	325,739	11,366,652	(12,603,494)	192,020,269
Unallocated liabilities							919,096
Total liabilities							192,939,365
Capital expenditure	251,535	359,012	-	33,689	-	-	644,236

7. CAPITAL MANAGEMENT

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of capital adequacy ratios and the possible suspension or loss of one or more licenses. The Group's objectives when managing capital, which is a broader concept than the "capital" mentioned on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators;
- To safeguard the Company's and its subsidiaries' ability to continue as going concerns, so that the Group can continue to provide benefits for members and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

7. CAPITAL MANAGEMENT (CONT'D)

(a) The Victoria Mutual Building Society

Bank of Jamaica requires that building societies maintain a minimum of 10% of their risk weighted assets in capital.

	2023 $'000	2022 $'000
Regulatory capital	21,046,610	19,917,012
Qualifying capital	19,000,473	17,181,792
On balance sheet risk weighted assets	107,652,931	105,492,410
Off balance sheet risk weighted assets – loan commitments	9,168,821	8,964,865
Foreign exchange exposure	4,176,367	1,329,452
Total risk assessed assets	120,998,119	115,786,727
Risk based capital adequacy ratio	15.70%	17.20%
Regulatory requirement	10.00%	10.00%

(b) VM Wealth Management Limited

The company's objectives when managing capital are to safeguard the company'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.

The Financial Services Commission ("FSC") stipulates and monitors capital requirements for the non-deposit-taking financial services sector. The FSC requires that the 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.

	2023 $'000	2022 $'000 Restated*
Tier 1 Capital	4,002,053	2,601,168
Tier 2 Capital	70,600	71,800
Total regulatory capital	4,072,653	2,672,968
Risk weighted assets:		
Per statement of financial position	17,271,770	17,431,713
Foreign exchange exposure	338,427	609,088
	17,610,197	18,040,801
Operational risk-weighted assets	316,615	269,695
	17,926,812	18,310,496

* See note 44

7. CAPITAL MANAGEMENT (CONT'D)

(b) VM Wealth Management Limited (cont'd)

Capital ratios	Minimum required		Actual	
	2023	2022	2023	2022 Restated*
Total regulatory qualifying capital Total risk weighted assets	10.00%	10.00%	22.72%	17.59%
Tier 1 Capital/Total regulatory capital	50.00%	50.00%	98.27%	97.77%
Capital base/Total assets	6.00%	6.00%	9.83%	15.55%

(c) VM Pensions Management Limited

VM Pensions Management Limited is regulated by the Financial Services Commission. The subsidiary's regulatory capital position as at the reporting date was as follows:

	2023 $'000	2022 $'000
Tier 1 Capital	233,124	37,305
Risk-weighted assets:		
Operating assets	250,945	236,185
Per statement of financial position	237,262	206,440
Foreign exchange exposure	250,945	30,814
	739,152	473,439

Capital adequacy ratios:	Minimum required		Actual	
	2023	2022	2023	2022
Total regulatory capital/risk-weighted assets	10.00%	10.00%	42.53%	15.72%
Tier 1 Capital/Total regulatory capital	50.00%	50.00%	100.00%	100.00%
Actual capital base/total assets	6.00%	6.00%	64.30%	13.00%

8. CASH RESOURCES

	Group		Company
	2023 $'000	2022 $'000	2023 $'000
Cash and cash equivalents for statements of cashflow [see (a)]	9,628,702	9,878,057	640,684
Cash reserves held at Bank of Jamaica [see (b)]	1,470,766	1,320,801	-
	11,099,468	11,198,858	640,684

* See note 44

8. CASH RESOURCES (CONT'D)

(a) Cash and cash equivalents represents cash on hand, balances with banks and term deposit. This includes an impairment of $10,405,000.

(b) Cash reserves held at Bank of Jamaica represents statutory reserves required by regulation to be held at Bank of Jamaica. They are not available for use by the building society subsidiary in the ordinary course of business. The cash reserve amounts are determined as a percentage of specified liabilities stipulated by Bank of Jamaica. For the cash reserve rate to remain at no more than one per cent of specified liabilities, as defined, the building society subsidiary must have qualifying assets of 40% of specified liabilities.

9. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES

These comprise:

	Group	
	2023	2022
	$'000	$'000
FVOCI		
Securities denominated in United States dollars:		
Bonds	12,841,255	13,163,161
Securities denominated in Jamaica dollars:		
Bonds	8,600,902	8,986,696
Certificates of deposit	459,785	280,653
Treasury bills	-	2,003
	9,060,687	9,269,352
Amortised cost		
Securities denominated in United States dollars:		
Bonds		
Certificates of deposit	154,269	151,009
Securities denominated in Jamaica dollars:		
Bonds	219,095	757,634
Securities denominated in Jamaica dollars:		
Certificates deposit	2,050,000	-
Treasury bills	585,281	-
	3,008,645	757,634
	24,910,587	23,341,156
Less: Allowance for impairment on amortised cost-GOJ instruments	(2,234)	(3,925)
	24,908,353	23,337,231

VM FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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9. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES (CONT'D)

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

	Group	
	2023	2022
	$'000	$'000
Within 3 months	2,572,626	1,329,520
From 3 months to 1 year	2,774,859	350,000
From 1 year to 5 years	8,198,511	4,995,731
Thereafter	11,362,357	16,661,980
	24,908,353	23,337,231

Certain Government of Jamaica securities are pledged by the Group as collateral for repurchase agreements (note 26).

10. INVESTMENTS – OTHER

	Group	
	2023	2022
	$'000	$'000
		Restated*
FVTPL		
Unquoted equities	77,280	72,494
Quoted equities	1,479,017	2,099,334
Mandatorily designated:		
Preference shares	752,597	158
Units in unit trust funds	4,355,852	4,966,741
	6,664,746	7,138,727
Amortised cost		
Bonds	5,588,625	5,191,765
Preference shares	-	410,647
Treasury bills	2,454,693	2,388,162
Term deposits	709,118	618,038
	8,752,436	8,608,612
Balance carried forward to page 69	15,417,182	15,747,339

* See note 44

10. INVESTMENTS – OTHER (CONT'D)

	Group 2023 $'000	Group 2022 $'000 Restated*
Balance brought forward from page 68	15,417,182	15,747,339
FVOCI		
Bonds	10,976,635	10,861,456
Ordinary shares - quoted	510,001	808,350
Ordinary shares - unquoted	39	8,637
	11,486,675	11,678,443
	26,903,857	27,425,782
Less: Allowance for impairment on amortised cost	(239,414)	(126,390)
	26,664,443	27,299,392

These investments mature, in relation to the reporting date, as follows:

	Group 2023 $'000	Group 2022 $'000 Restated*
Within 3 months	1,720,337	906,468
From 3 months to 1 year	4,676,125	5,620,428
From 1 year to 5 years	9,145,855	7,016,669
Thereafter/no maturity	11,122,126	13,755,827
	26,664,443	27,299,392

Equity investment securities designated as at FVOCI

The following table shows investments in equity securities that are designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term.

	Group			
	Fair value		Dividend income recognised	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
At beginning of the year	808,350	873,120	-	-
Net fair value losses recognised during the year	(298,349)	(64,770)	-	22,185
	510,001	808,350	-	22,185

None of these investments were disposed of during the year ended December 31, 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments. The change in fair value on these investments was $298,350,000 for the year ended December 31, 2023 (2022: $64,770,000).

* See note 44

11. RESALE AGREEMENTS

Government and corporate securities are purchased under agreements to resell them on specified dates and at specified prices on maturity ('resale agreements').

	Group	
	2023	2022
	$'000	$'000
Denominated in Jamaica dollars	1,947,792	422,671
Denominated in United States dollars	1,835,386	1,694,327
	3,783,178	2,116,998
Less: Allowance for impairment	(602)	(507)
	3,782,576	2,116,491

The securities obtained as collateral under resale agreements, may themselves be sold under repurchase agreements (see note 26). At December 31, 2023, such securities had a fair value of $6,460,447,000 (2022: $2,132,127,000) for the Group.

12. LOANS

(a) Composition of loans

	Group	
	2023	2022
	$'000	$'000
		Restated*
Conventional mortgage loans	97,225,636	89,326,855
Mortgage escrow (see below)	702,895	647,022
Total conventional mortgage loans	97,928,531	89,973,877
Share loans	1,788,567	1,757,472
Corporate loans	1,410,441	1,195,027
Consumer loans	8,482,406	9,413,885
Consumer escrow	27,690	31,137
Specialised loans	12,108,456	9,512,760
Staff loans	576,443	462,956
Staff loans escrow	-	(673)
Margin loans	201,150	-
Credit cards	639,553	90,533
Total gross carrying value of loans	123,163,237	112,436,974
Less: Allowance for impairment	(364,177)	(313,172)
Deferred originating fees	(868,561)	(734,193)
Total loans, net	121,930,499	111,389,609

Mortgage escrow represents insurance premiums paid by the building society subsidiary on behalf of mortgagors. These amounts are recoverable over one year and are collected as part of monthly mortgage instalments.

* See note 44

12. LOANS (CONT'D)

(b) Allowance for impairment

	Group	
	2023 $'000	2022 $'000 Restated*
Balances at the beginning of the year	313,172	556,226
Loans written off	(25,893)	-
Foreign exchange movement	6,793	-
Net remeasurement of allowance for ECL	70,105	(243,054)
Balances at the end of the year [see (c) below]	364,177	313,172

(c) The total expected loss allowance is broken down as follows:

	Group	
	2023 $'000	2022 $'000 Restated*
Allowance based on IFRS	364,177	313,172
Additional allowance based on Bank of Jamaica BOJ regulations [note 30(iv)]	520,793	2,256,448
Transfer of credit facility reserves from Building Society as a result of restructuring(note 43)	-	(2,569,620)
	884,970	-

(d) Loan principal repayments and mortgage escrow payments are projected to be received, in relation to the reporting date, as follows:

	Group	
	2023 $'000	2022 $'000 Restated*
Within three months	363,469	692,125
3 months to 1 year	8,684,560	4,747,983
From 1 year to 5 years	10,648,820	12,181,705
Thereafter	102,233,650	93,767,796
	121,930,499	111,389,609

(e) Movement in deferred originating fees

	Group	
	2023 $'000	2022 $'000 Restated*
At beginning of the year	734,193	440,741
Additions	270,311	363,577
Amortisation	(135,943)	(70,125)
At end of the year	868,561	734,193

* See note 44

13. DUE FROM/(TO) RELATED ENTITIES

Due from/(to) related entities represent balances held by subsidiaries and other related entities in the ordinary course of business. The balances are unsecured, interest free and due within three months.

	Group		Company
	2023	2022	2023
	$'000	$'000	$'000
Due from related entities:			
Due from parent	235,452	-	150,019
Due from other related entities	401,707	333,519	230,901
	637,159	333,519	380,920
Due to related entities:			
Due to other related entities	17,401	-	193,797

14. OTHER ASSETS

(a) Composition of other assets

	Group		Company
	2023	2022	2023
	$'000	$'000	$'000
		Restated*	
Margin & other loans receivable	6,005,876	5,541,136	-
Due from parent company +	-	-	1,000,000
Interest receivable +	1,852,307	1,417,181	132,817
Rent receivable	53,110	105,188	-
Late fees	148,233	107,398	-
Customers' receivable	269,778	325,809	-
Sundry receivables and prepayments	1,296,596	1,516,206	39,161
	9,625,900	9,012,918	1,171,978
Less: allowance for impairment on other assets	(708,176)	(510,126)	-
Deferred origination fees	(47,183)	(73,755)	-
	8,870,541	8,429,037	1,171,978
Tax recoverable	1,341,264	939,111	15,176
Prepayment	377,709	320,258	-
	10,589,514	9,688,406	1,187,154

+ This represents loan with parent company which bears interest at a rate of 12.5% annually and is repayable on March 30, 2028. Including in interest receivable is an amount of $31.8M which relates to this loan.

(b) The balances are reflected net of expected credit loss allowances as follows:

	Group	
	2023	2022
	$'000	$'000
At beginning of the year	510,126	573,665
Increase/(decrease) in allowance	202,518	(49,499)
Receivable written off	(4,468)	(14,040)
At end of the year	708,176	510,126

* See note 44

14. OTHER ASSETS (CONT'D)

(c) Movement in deferred origination fees:

	Group	
	2023	2022
	$'000	$'000
At beginning of the year	73,755	63,253
Additions	21,589	46,442
Amortisation	(48,161)	(35,940)
At end of the year	47,183	73,755

15. DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets and liabilities are attributable to the following:

	Group 2023					
	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	$'000	$'000 Restated*	$'000	$'000	$'000	$'000 Restated*
Investment securities	882,869	1,052,830	-	(369,822)	882,869	683,008
Other receivables	45,739	(11,611)	-	71,217	45,739	59,606
Property, plant and equipment	425,632	33,929	-	290,674	425,632	324,603
Right of use assets	(21,914)	(18,147)	-	-	(21,914)	(18,147)
Lease liability	42,020	22,603	-	11,661	42,020	34,264
Other liabilities	66,894	51,425	(10,793)	2,865	56,101	54,290
Tax loss	50,131	-	-	-	50,131	-
Employee benefits assets	(385,383)	-	-	(223,803)	(385,383)	(223,803)
Employee benefits obligation	248,363	(1,101)	-	196,677	248,363	195,576
Unrealised foreign exchange gain/(loss)	418	(3,840)	-	(573)	418	(4,413)
	1,354,769	1,126,088	(10,793)	(21,104)	1,343,976	1,104,984

	Company
	2023
	$'000
Other receivables	19,790

(b) Movement in net temporary differences during the year are as follows:

	Group 2023			
	January 1, 2023	Recognised in income	Recognised in OCI	December 31, 2023
	$'000	$'000	$'000	$'000
Investment securities	683,008	262,145	(62,284)	882,869
Other receivables	59,606	(13,867)	-	45,739
Property, plant and equipment	324,603	101,029	-	425,632
Right of use assets	(18,147)	(3,767)	-	(21,914)
Lease liability	34,264	7,756	-	42,020
Other liabilities	54,290	1,811	-	56,101
Tax loss	-	50,131	-	50,131
Employee benefits assets	(223,803)	(15,210)	(146,370)	(385,383)
Employee benefits obligation	195,576	29,877	22,910	248,363
Unrealised foreign exchange (loss)/gain	(4,413)	4,831	-	418
	1,104,984	424,736	(185,744)	1,343,976

*See note 44

15. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

(b) Movement in net temporary differences during the year are as follows (cont'd):

	Group			
	2022 Restated *			
	January 1, 2022 $'000	Recognised in income $'000	Recognised in OCI $'000	December 31, 2022 $'000
Investment securities	(88,906)	156,737	615,177	683,008
Other receivables	132,367	(72,761)	-	59,606
Property, plant and equipment	248,455	76,148	-	324,603
Right of use assets	(21,914)	3,767	-	(18,147)
Lease liability	26,791	7,473	-	34,264
Other liabilities	39,669	14,621	-	54,290
Tax loss	(3,769)	3,769	-	-
Employee benefits assets	(549,003)	24,210	300,990	(223,803)
Employee benefits obligation	356,859	29,057	(190,340)	195,576
Unrealised foreign exchange loss	1,966	(6,379)	-	(4,413)
	142,515	236,642	725,827	1,104,984

The Group recognises deferred tax asset based on management's assumption that there will be sufficient future taxable profits against which the assets can be utilised.

Embedded in the Group's strategic framework are specific and timebound action plans, designed at enabling the entities within the Group to pursue and capitalise on growth and profit-making opportunities. Supported by the Group's strong earnings history, the restructured standing of the VM Group will allow the Group to achieve future profit targets.

16. EMPLOYEE BENEFITS ASSET/OBLIGATION

The Group operates a defined-benefit plan, under which retirement benefits are calculated by reference to, *inter alia,* final salary. The plan is subject to a triennial actuarial funding valuation, the most recent performed as at December 31, 2019. The valuation as at December 31, 2022 is incomplete. For purposes of determining the employee benefits asset or obligation included in the financial statements at the end of the period and the costs for the period, an IAS 19 actuarial valuation is done each year. The Group also provides post-employment medical benefits to retirees.

The amounts in the statement of financial position in respect of the defined-benefit pension plans and post-employment medical benefits are as follows:

	Group	
	2023 $'000	2022 $'000
Employee benefits asset (i)	1,284,611	746,011
Other post-employment benefits (ii)	850,800	704,600

* See note 44

16. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(i) Employee benefits asset

(a) Amount recognised in the statement of financial position

	Group 2023 $'000	Group 2022 $'000
Present value of funded obligations	(7,918,000)	(4,506,500)
Fair value of plan assets	9,202,611	9,109,211
Change in effect of asset ceiling	-	(3,856,700)
	1,284,611	746,011

The asset ceiling has moved to nil due to the stronger financial assumptions used during the year [see note 16(f)].

(b) Movements in the present value of defined benefit obligations

	Group 2023 $'000	Group 2022 $'000
Balance at beginning of year	4,506,500	7,282,600
Benefits paid	(260,200)	(268,000)
Employee contributions (basic and voluntary)	208,800	111,100
Interest cost	569,400	596,800
Service cost	62,000	255,900
Transfers in	-	800
Remeasurement Loss/(gain)rising from:		
Financial assumptions	2,831,500	(3,472,700)
Balance at end of year	7,918,000	4,506,500

(c) Movement in plan assets

	2023	2022
Fair value of plan assets at beginning of year	9,109,211	9,112,611
Contributions paid into the plan	210,300	187,000
Benefits paid by the plan	(260,200)	(292,000)
Net interest income on plan assets	1,181,100	724,800
Remeasurement loss on assets included in other comprehensive income	(1,037,800)	(623,200)
Fair value of plan assets at end of year	9,202,611	9,109,211

16. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(i) Employee benefits asset (cont'd)

(c) Movement in plan assets (cont'd)

	Group	
	2023	2022
	$'000	$'000
Plan assets consist of the following:		
Equity securities	3,382,000	3,455,800
Government securities	3,387,300	3,383,700
Real estate fund	1,965,500	1,820,300
Other assets	467,811	449,411
	9,202,611	9,109,211

(d) (Credit)/charge recognised in the income statement, net

	Group	
	2023	2022
	$'000	$'000
Service costs	62,000	185,100
Interest on obligation	569,400	611,700
Interest on effect of asset ceiling	501,400	-
Net interest income on plan assets	(1,181,100)	(724,800)
	(48,300)	72,000

(e) (Credit)/charge recognised in other comprehensive income, net

	Group	
	2023	2022
	$'000	$'000
Remeasurement gain on obligations	2,831,500	(3,472,700)
Remeasurement gain on assets	1,037,800	623,200
Change in effect of asset ceiling	(4,358,100)	3,856,700
	(488,800)	1,007,200

(f) Principal financial assumptions at the reporting date (expressed as weighted averages)

	Group	
	2023	2022
	%	%
Discount rate at December 31	11.0	13.0
Future salary increases	11.0	5.5
Future pension increases	6.0	4.5

16. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(i) Employee benefits asset (cont'd)

(g) Sensitivity analysis

A one percentage point change at the reporting date to one of the relevant financial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by amounts shown below:

	Group			
	2023		2022	
	1% point increase $'000	1% point decrease $'000	0.5% point increase $'000	0.5% point decrease $'000
Financial assumptions				
Discount rate	(1,013,000)	1,313,300	(4,157,400)	4,932,900
Rate of salary escalation	448,700	(387,600)	4,684,200	(4,350,500)
Future rate of pension	742,800	638,900	4,747,000	(4,298,900)

(h) The Group expects to pay $1,600,000 in contributions to the defined-benefit plan in 2024.

(ii) Other post-employment benefits

The employee benefits obligation represents the present value of the constructive obligation to provide medical and other benefits to retirees.

(a) Movement in present value of defined benefit obligation

	Group	
	2023 $'000	2022 $'000
Present value of obligation at the start of the year	704,600	1,224,400
Interest cost	89,500	100,400
Current service cost	13,900	45,500
Benefits paid	(34,300)	(29,500)
Remeasurement loss/(gains) arising from:		
Financial assumptions	77,100	(636,200)
	850,800	704,600

(b) Charge recognised in the income statement

	Group	
	2023 $'000	2022 $'000
Interest cost	89,500	100,400
Current service cost	13,900	45,500
	103,400	145,900

16. EMPLOYEE BENEFITS ASSET/OBLIGATION (CONT'D)

(ii) Other post-employment benefits (cont'd)

(c) Items in other comprehensive income

	Group	
	2023	2022
	$'000	$'000
Remeasurement loss/(gains) obligation	77,100	(636,200)

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

	Group	
	2023	2022
	%	%
Financial assumptions:		
Discount rate	11.0	13.0
Medical claims growth	8.0	7.5

Statistical assumptions:

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining life expectancy of an individual retiring at age 65 is 21 years for males and 26 years for females.

(e) Sensitivity to changes in financial assumptions

A one percentage point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by amounts shown below:

	Group			
	2023		2022	
	1% point increase	1% point decrease	0.5% point increase	0.5% point decrease
	$'000	$'000	$'000	$'000
Medical cost trend rate and rate of salary escalation	115,000	(92,800)	683,900	(514,200)
Discount rate	(90,200)	112,300	(512,600)	682,300

17. INTEREST IN SUBSIDIARIES

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Shares, at cost [see note 1(b)]	-	-	24,462,602	-

18. INTEREST IN ASSOCIATES

(a) The carrying amount of interest in associated companies represents the cost of shares acquired and the Group's share of post-acquisition reserves in British Caribbean Insurance Company Limited (BCIC), Carilend Caribbean Holdings Limited and Kingston Properties Limited (KPREIT) as follows:

	Group		Company
	2023	2022	2023
	$'000	$'000 Restated*	$'000
Shares, at cost	3,536,211	2,871,078	1,816,951
Share of post-acquisition profits less dividends	1,197,671	794,467	-
Share of investment revaluation reserve	7,417	7,417	-
	4,741,299	3,672,962	1,816,951

(b) Group's share of profit/(loss) is broken out as follows:

	Group	
	2023	2022
	$'000	$'000 Restated*
British Caribbean Insurance Company Limited	277,750	126,899
Kingston Properties Limited (KPREIT)	164,411	-
	442,161	126,899

(c) The following table summarises the financial information of BCIC. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this associate.

	Group	
	2023	2022
	$'000	$'000
Percentage ownership interest	44.45%	37.16%
Assets	30,625,158	26,189,309
Liabilities	(24,789,547)	(20,546,782)
Net assets (100%)	5,835,611	5,642,527
Carrying amount of interest in BCIC	2,593,929	2,096,763
Goodwill	418,110	-
	3,022,039	2,096,763
Revenue	18,902,324	23,048,610
Profit for the year	624,859	341,493
Other comprehensive loss, net of tax	43,534	(209,529)
Total comprehensive income	668,393	131,964
Group's share of profit of year	277,750	126,899
Share of other comprehensive loss	19,351	(78,631)
Group's share of total comprehensive income	297,101	48,268

* See note 44

18. INTEREST IN ASSOCIATES (CONT'D)

(c) (Cont'd)

The interest in Carilend Caribbean Holdings Limited is not considered material for a similar disclosure.

(d) The following table summarises the financial information of KPREIT. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this associate.

	Group	
	2023 $'000	2022 $'000
Percentage ownership interest in KPREIT	23%	23%

	Group		
	2023 $'000	2022 $'000 As originally stated*	2022 $'000 As Restated*
Non-current assets	10,322,387	7,546,587	7,242,310
Current assets	623,920	1,278,626	1,284,427
Total assets	10,946,307	8,825,213	8,526,737
Non-current liabilities	(3,221,889)	(1,545,566)	(1,552,650)
Current liabilities	(338,927)	(208,183)	(209,112)
Total liabilities	(3,560,816)	(1,753,749)	(1,761,762)
Net Assets (100%)	7,385,491	7,071,464	6,764,975
Group's share of net assets	1,698,664	1,626,437	1,555,944
Goodwill and intangible asset recognised on acquisition	20,596	-	20,254
Carrying amount of interest in KPREIT	1,719,260	1,626,437	1,576,198
Revenue	1,083,830		
Profit from continuing operations	714,832		
Share of profit from continuing operations	164,411		

The following table provides a movement in the carrying value of BCIC and KPREIT

	BCIC		KPREIT	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
At beginning of year	2,096,763	2,282,481	1,576,198	-
Net assets recognised on acquisition	-	-	-	1,576,198
Acquisition/(disposal)	628,175	(66,434)	-	-
Share of profit	277,750	126,899	164,411	-
Share of OCI	19,351	(78,631)	37,772	-
Dividends	-	(167,552)	(59,121)	-
At end of year	3,022,039	2,096,763	1,719,260	1,576,198

18. INTEREST IN ASSOCIATES (CONT'D)

The balances used for KPREIT in the prior reporting period were provisional and thus the amounts presented then were on a provisional basis. During the year, the purchase price allocation was completed for KPREIT. Consequently, the financial information obtained was updated to reflect the carrying value of the interest in associate that existed at the acquisition date. This has resulted in an adjustment to the previously reported carrying value of the interest in associate.

The fair value of the interest in KPREIT indicated by its quoted price on the Jamaica Stock Exchange as at 31 December 2023 was J$1,637,208,000 (2022: J$1,726,694,000).

The financial statements of KPREIT are denominated in United States dollars.

* The balances are provisional as fair value of assets and liabilities for the purposes of this disclosure are yet to be established and are accordingly presented on a provisional basis.

19. INTANGIBLE ASSETS

	Group			
	Goodwill	Computer software	Work in progress	Total
	$'000	$'000	$'000	$'000
Cost				
December 31, 2021	609,214	3,499,578	1,316,951	5,425,743
Additions	-	203,851	244,626	448,477
Transfers	-	250,482	(250,482)	-
December 31, 2022	609,214	3,953,911	1,311,095	5,874,220
Additions	-	15,673	502,841	518,514
Transfers from property, plant and equipment	-	104,684	(53,373)	51,311
December 31, 2023	609,214	4,074,268	1,760,563	6,444,045
Amortisation				
December 31, 2021	-	1,945,415	-	1,945,415
Charge for the year	-	563,273	-	563,273
December 31, 2022	-	2,508,688	-	2,508,688
Charge for the year	-	580,884	-	580,884
Transfers from property, plant and equipment	-	4,094	-	4,094
December 31, 2023	-	3,093,666	-	3,093,666
Carrying value				
December 31, 2023	609,214	980,602	1,760,563	3,350,379
December 31, 2022	609,214	1,445,223	1,311,095	3,365,532

Goodwill comprises the excess of cost over fair value of the net assets of VM Pensions Management Limited acquired in 2013. In testing goodwill for impairment, the recoverable amount of the cash-generating unit is estimated based on value-in-use. Where the recoverable amount exceeds the carrying amount, no impairment allowance is made. The recoverable amount of the cash-generating unit is arrived at by estimating the future cash flows and discounting those cash flows using long-term discount rates applicable to Jamaica.

19. INTANGIBLE ASSETS (CONT'D)

Future sustainable cash flows are estimated based on the most recent projections, after taking account of past experience. The cash flow projections include specific estimates for each of the five years following the reporting date, and a terminal value thereafter. These annual estimates and the terminal value are calculated using an assumed growth rate.

The key assumptions used in the discounted cash flow projections are as follows:

	Group	
	2023	2022
	%	%
Discount rate	14.2%	19.0%
Growth rate	1.5%	5.0%

20. INVESTMENT AND FORECLOSED PROPERTIES

	Group		
	Investment properties	Foreclosed properties	Total
	$'000	$'000	$'000
Cost			
December 31, 2021	257,632	160,981	418,613
Additions	304,807	-	304,807
Disposal	-	(133,795)	(133,795)
December 31, 2022	562,439	27,186	589,625
Additions	24,419	16,867	41,286
Disposal	(68,955)	(16,868)	(85,823)
December 31, 2023	517,903	27,185	545,088
Depreciation			
December 31, 2021	43,972	33,741	77,713
Change for the year	2,282	6,469	8,751
Eliminated on disposals	-	(13,024)	(13,024)
December 31, 2022	46,254	27,186	73,440
Change for year	2,226	3,383	5,609
Eliminated on disposals	(4,991)	(3,497)	(8,488)
December 31, 2023	43,489	27,072	70,561
Net book values			
December 31, 2023	474,414	113	474,527
December 31, 2022	516,185	-	516,185

The fair values of properties were determined, in the case of properties acquired by way of foreclosure, by several different approved qualified independent property valuers, having appropriate recognised professional qualifications and recent experience in the locations and categories of the property being valued, and, in the case of investment properties, by management. This fair value measurement has been categorised as Level 3, based on the inputs to the valuation techniques used.

20. INVESTMENT AND FORECLOSED PROPERTIES (CONT'D)

(a) Reconciliation of opening to closing fair value

	Group								
	2021 $'000	Additions $'000	Translation $'000	Disposal $'000	2022 $'000	Additions $'000	Translation $'000	Disposal $'000	2023 $'000
Investment properties	1,396,569	322,405	(17,457)	(2,413)	1,699,104	24,906	-	(898,000)	826,010
Foreclosed properties	701,729	-	-	(133,653)	568,076	-	-	(16,868)	551,208
	2,098,298	322,405	(17,457)	(136,066)	2,267,180	24,906	-	(914,868)	1,377,218

(b) Valuation techniques and significant unobservable inputs

The fair value of investment properties was determined generally by the comparison method, taking account of what similar properties in similar locations have been sold for in the recent past (or near similar properties and locations, with appropriate adjustments made) and current market conditions.

(c) Amounts recognized in profit or loss

The property rental income earned by the Group from investment properties which are leased under operating leases amounted to $38.6 million (2022: $22.2 million). Direct operating expenses, arising from the investment property that generated rental income during the year, amounted to $148.9 million (2022: $48.46 million).

21. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Right-of-use on leasehold properties $'000	Freehold land and buildings $'000	Office furniture and equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost						
December 31, 2021	425,626	1,508,353	2,749,681	74,573	1,278,882	6,037,115
Translation adjustments	(8,766)	(14,797)	(19,385)	-	-	(42,948)
Additions	171,009	2,551	132,806	-	359,924	666,290
Disposals	(10,962)	(747,721)	(3,734)	(21,348)	-	(783,765)
Transfers from work in progress	-	508,891	271,242	-	(780,133)	-
December 31, 2022	576,907	1,257,277	3,130,610	53,225	858,673	5,876,692
Translation adjustment	-	(3,401)	-	-	-	(3,401)
Additions	4,943	-	132,708	-	262,158	399,809
Disposals	(15,462)	(566)	(102,901)	-	-	(118,929)
Transfers from work in progress	-	-	(45,843)	-	(5,468)	(51,311)
December 31, 2023	566,388	1,248,367	3,114,574	53,225	1,115,363	6,097,917
Depreciation						
December 31, 2021	147,662	214,208	1,932,389	29,072	-	2,323,331
Translation adjustments	(3,701)	(314)	(9,813)	-	-	(13,828)
Charge for year	76,196	60,111	209,313	10,528	-	356,148
Elimination on disposal	(10,962)	(14,286)	(3,697)	(21,348)	-	(50,293)
December 31, 2022	209,195	259,719	2,128,192	18,252	-	2,615,358
Charge for year	75,651	55,001	195,468	10,528	-	336,648
Transfer to intangible asset	-	-	(4,093)	-	-	(4,093)
Elimination on disposal	-	(341)	(87,485)	-	-	(87,826)
December 31, 2023	284,846	314,379	2,232,082	28,780	-	2,860,087
Net book values						
December 31, 2023	2281,542	933,988	882,492	24,445	1,115,363	3,237,830
December 31, 2022	367,712	997,558	1,002,418	34,973	858,673	3,261,334
December 31, 2021	277,964	1,294,145	817,292	45,501	1,278,882	3,713,784

22. SHAREHOLDERS' SAVINGS

	Group	
	2023	2022
	$'000	$'000
General investment ("B") shares	-	2,582,236
Paid up investment ("C") shares	-	127,377,924
	-	129,960,160
Regular savings	135,320,202	129,283,039
Deferred shares	335,513	3,261,285
	135,655,715	132,544,324

B and C Share accounts are savings accounts. Members of the building society who operate an account that is classified as Share account are entitled to voting rights at Annual General Meetings provided that they are the primary account holder, and their account balance satisfies the required minimum.

Effective February 1, 2023, the right of the savers have been transferred from the building society subsidiary to VM Group Limited under the Restructuring arrangement This means that General investment ('B') and ('C') shares have been converted to regular savings accounts.

Deferred shares are Tier 2 capital and issued by a mutual building society. The deferred shares are paid up capital, interest bearing and an original term to maturity of five (5) years or more.

Included in shareholders' savings are accounts with the following maturity profile:

	Group	
	2023	2022
	$'000	$'000
On demand to 3 months	99,941,375	93,356,973
Three to 12 months	33,099,947	33,040,073
Over 12 months	2,614,393	6,147,278
	135,655,715	132,544,324

23. DEPOSITORS' SAVINGS

	Group	
	2023	2022
	$'000	$'000
On demand to 3 months	1,264,552	1,764,062
Over 12 months	5,703,346	-
Due to depositors	6,967,898	1,764,062

24. DUE TO SPECIALISED INSTITUTION

	Group	
	2023	2022
	$'000	$'000
Conventional mortgage loans	1,938,931	571,627

This represents the balance of loans disbursed by the National Housing Trust under joint financing arrangements with borrowers of the Group.

25. OTHER LIABILITIES

	Group		Company
	2023	2022	2023
	$'000	$'000 Restated*	$'000
Deposits – private treaty sales	2,286	24,399	-
Customers' and clients' funds	2,717,616	1,725,854	-
Accrued expenses	888,313	1,030,440	147,551
Other payables	1,693,052	3,949,178	1,294
	5,301,267	6,729,871	148,845

26. REPURCHASE AGREEMENTS

The Group sells government and corporate securities, or interests therein, and agrees to repurchase them on specified dates and at specified prices prior to their maturity ("repurchase agreements").

	Group	
	2023	2022
	$'000	$'000
Denominated in Jamaica dollars	9,342,511	6,459,453
Denominated in United States dollars	6,780,570	10,186,315
Denominated in Sterling	225,802	1,068,894
	16,348,883	17,714,662

Securities obtained under resale agreements and certain investments (see notes 10 and 11) and interest accrued thereon are pledged as collateral for repurchase agreements. These financial instruments have a fair value of $17,517,970,428 (2022: $19,764,104,000) for the Group.

27. OTHER BORROWINGS

	Group		Company
	2023	2022	2023
	$'000	$'000	$'000
Deferred shares (note 22)	2,398,619	7,000,847	-
Variable rate bonds (v)	-	1,000,000	-
Bank facility (i)	4,610,386	1,462,347	-
Fixed rate bonds (ii),(iii)	7,666,438	2,369,122	-
Preference shares (iv)	10,773,277	5,003,234	11,024,010
	25,448,720	16,835,550	11,024,010

* See note 44

27. OTHER BORROWINGS CONT'D

(a) The following tables show reconciliations from the opening balances to the closing balances for other borrowings

	Group	
	2023	2022
	$'000	$'000
Balance as at 1 January	16,835,550	15,010,164
Proceeds from other borrowings	20,526,635	6,572,155
Repayments of borrowings	(11,783,450)	(4,721,003)
	25,578,735	16,861,316
Other changes:		
Capital borrowings costs	(130,015)	(25,766)
Balances as at 31 December	25,448,720	16,835,550

	Company
	2023
	$'000
Balance as at 1 January	-
Proceeds from other borrowings	11,048,020
Repayments of borrowings	-
	11,048,020
Other changes:	
Capital borrowings costs	(24,010)
Balances as at 31 December	11,024,010

(i) These loans are comprised of the following:

I. A revolving facility agreement with a major UK bank to provide external funding for the UK subsidiary lending business. The maximum facility amount is GBP$30,000,000 (JMD$5,825,625,000) of which GBP 16,000,000 (JMD$ 3,107,000,000) had been drawn down as at December 31, 2023 less transaction cost of GBP 148,140 ($JMD 28,767,000). The balance is payable in 24 months after the initial draw with an option to extend. The facility carries interest at 2.75% above SONIA, payable monthly in arrears.

II. Three loans from the Development Bank of Jamaica received by VM Investments Ltd. during 2023 for the total of $560,000,000. The loans are broken down as follows:

- $50,000,000 with a maturity period of 4 years with an interest rate of 10.99%
- $300,000,000 with a maturity period of 1 year with an interest rate of 9%
- $210,000,000 with a maturity period of 1 year with an interest rate of 9%

The last two loans received in 2021 and 2022 are as follows:

- $550,000,000 received in October 2021, with a maturity period of 5 years with monthly interest payments at a rate of 5.75% and an initial two-year principal payment moratorium.
- $750,000,000 received in November 2022 with a maturity period of 2 years attracting an interest rate of 7.5% per annum.

27. OTHER BORROWINGS (CONT'D)

(ii) These are comprised of four fixed rate unsecured bonds and three variable rate unsecured bonds issued by VM Investments Ltd. Two bonds issued in 2022 are as follows, less their transactional costs:

Tranche B - $165,934,342 fixed rate 6.75% with a maturity date of December 30, 2024
Tranche C - $631,320,032 variable rate (2.5% plus 6 months WATBY) with a maturity date of March 31, 2024

Four bonds were issued by the company in 2022 from a J$5.8 billion bond issue; balances below are shown less their transaction costs:

- Tranche A -$642,966,218 variable rate 6.75% with a maturity date of December 30, 2024
- Tranche B - $4,759,227,353 fixed rate 11.25% with a maturity date of December 30, 2024
- Tranche C - $325,057,226 fixed rate 10.75% with a maturity date of June 30, 2024
- Tranche D - $15,744,000 variable rate (3.75% plus 6 months WATBY) with a maturity date of December 30, 2027

Funds of $526,188,387, net of transaction costs, were received in December 2023 from a J$530 million bond raise.

Some of the subsidiary's loan agreements are subject to financial covenant clauses, whereby the Group is required to meet certain key financial ratios, which failure to satisfy is deemed "an Event of Default".

At December 31, 2023, the subsidiary did not fulfil the Return on Assets ratio (minimum required ratio – 1%) and the Interest Coverage ratio (minimum required ratio – 1.50x) for the fixed and variable corporate bonds in issue.

The Bond Purchasers Agreement states in part that "prepayment of the outstanding Bond obligation shall be required in full in the event of a change of control of the issuer, a material adverse condition or an event of default". Consequently, the outstanding balance of $7,136,513,000 was due and immediately payable as at December 31, 2023.

Notwithstanding the breaches at the reporting year end, the subsidiary, subsequent to the reporting year end, was given an additional quarter to cure the default by rectifying the breaches. Subsequent to the reporting year end, the subsidiary was able to attain the minimum requirements for the financial covenants and the prepayment is no longer an option.

(iii) This represents short to medium term debt obligations of the building society subsidiary. These loans mature within 12 months and attracts annual interest rates of 9.5%.

27. OTHER BORROWINGS (CONT'D)

(iv) On April 28, 2023 VM Financial Group Limited the Company issued three classes of preference shares at a price of J$100 per share for an aggregate subscription of $11,000,000,000. The features of each class of preference shares are shown in table below.

Class	**Coupon rate per annum**	**Dividend payments**	**Tenor**	**Allotment value**
Fixed Rate Class A	10%	Cumulative/ Quarterly	36 months	7,000,000,000
Floating Rate Class B	Government of Jamaica (GOJ) 3 month weighted average Treasury Bill yield +3%	Cumulative/ Quarterly	24 months	2,000,000,000
Floating Rate Class C	(60) first 24 months after issue at 12.50%. thereafter GOJ 3 month weighted average Treasury bill yield +3%	Cumulative/ Quarterly	60 months	2,000,000,000

The significant terms and conditions of the preference shares are as follows:

(i) The right to a cumulative preferential dividend payable monthly at a rate agreed for each class.
(ii) The right, on winding up, to receive all arrears of dividend and repayment of capital in priority to the ordinary stockholders; and
(iii) No right to vote, except where dividends are not paid for twelve months or on winding up of the company.

28. LEASES – IFRS 16

The Group leases office space and commercial space. The leases typically run for a period of five years, with options to renew. Right-of-use of assets are presented as leasehold properties and property, plant and equipment (see note 21). Information about lease liabilities for which Group is a lessee is presented below.

Maturity analysis – contractual undiscounted cash flows:

	Group	
	2023	2022
	$'000	$'000
Less than one year	90,087	99,660
One to five years	259,534	327,554
More than five years	93,891	137,898
	443,512	565,112
Carrying amount of lease liabilities:		
Current	65,747	68,062
Non-current	275,707	349,286
	341,454	417,348

28. LEASES – IFRS 16 (cont'd)

(a) Amounts recognised in profit or loss

	Group	
	2023 $'000	2022 $'000
Leases under IFRS 16:		
Interest on lease liabilities	34,516	35,537

(b) Amounts recognised in statement of cash flows:

	Group	
	2023 $'000	2022 $'000
Lease interest payments	34,516	35,537
Lease principal payments	79,102	58,640
Total cash outflow for leases	113,618	94,177

(c) 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 Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and reassesses this conclusion if there is a significant event or significant changes in circumstances within its control.

At commencement date the Group includes the lease liability for extension options which it is reasonably certain to exercise.

(d) Reconciliation of movements of lease obligations to cash flow arising from financing activities.

	Group	
	2023 $'000	2022 $'000
Balance at beginning of the year	417,348	312,642
Additions	37,724	198,883
Lease payments	(79,102)	(58,640)
Lease interest expense	(34,516)	(35,537)
Balance at the end of year	341,454	417,348

28. LEASES – IFRS 16 (cont'd)

(e) Leases as lessor

The Group leases out investment property consisting of commercial properties. All leases are classified as operating leases from a lessor perspective. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date.

	Group	
	2023	2022
	$'000	$'000
One to two years	83,312	70,278
Two to three years	36,620	82,238
Three to four years	13,015	73,679
Four to five years	13,015	49,912
More than five years	4,658	29,553
	150,620	305,660

29. SHARE CAPITAL

	Group and Company	
	2023	2022
	$'000	$'000
Stated:		
Authorised, issued and fully paid		
1,263,479,116 ordinary shares	17,424,846	17,424,846

The share capital of the company was determined by the court approved Scheme of Arrangement effective February 1, 2023 which allowed for the cancellation of the shares in each subsidiary (see note 1 and 43) previously held by Victoria Mutual Building Society and the issuance of new shares in each subsidiary of the Company.

30. RESERVES

(i) Reserve fund

The Banking Services Act and Regulations require the Victoria Mutual Building Society to transfer at least 15% of its net surplus after income tax each year to the reserve fund until the amount of the reserve fund is equal to the amount paid up on its Permanent Capital Fund which, though not formally recognised, is the fund substituted for the capital shares referred to in the Regulations and its deferred shares (note 22).

(ii) Retained earnings reserve

The Regulations permit the Victoria Mutual Building Society to transfer a portion of its profits to a retained earnings reserve, which constitutes a part of the capital base. Transfers of profits to the retained earnings reserve are made at the discretion of the Directors, but must be communicated to the Bank of Jamaica to be effective.

30. RESERVES (CONT'D)

(ii) Retained earnings reserve (cont'd)

As per page 34, Section 4.57 (c) (ii) of the Scheme of Arrangement approved by the Court, Bank of Jamaica and members at the Members' Meeting held August 9, 2022, the liability in the Statement of Financial Position represented by 15-year Dormant Accounts amounting to $1,200,000,000, was extinguished and transferred to the Retained Earnings Reserve by way of the Income Statement.

A register has been established of the members of the Victoria Mutual Building Society comprising these dormant accounts aged 15 years and older. If any such member shall thereafter make contact with the Victoria Mutual Building Society, the account will be re-activated and will be accorded full membership rights to title and interest in the restored account in the same manner as if the account were never extinguished. In addition, it represents in the non-financial group $200,002,000 that was transferred to the parent company (see note 43).

(iii) Non-distributable reserve

This represents the transfer of net accumulated remeasurement gains on the Group's employee benefits assets and obligations.

(iv) Credit facility reserve

Credit facility reserve represents provisions for loan losses required under the Building Societies Act in excess of the requirements of IFRS [see note 12(c)].

(v) Investment revaluation reserve

Investment revaluation reserve represents cumulative unrealised gains, net of losses, arising from the changes in fair value of investments measured at fair value through other comprehensive income until the investment is derecognised or impaired.

(vi) Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

31. MANAGEMENT FUNDS AND CUSTODIAL ARRANGEMENTS

VM Wealth Management Limited 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, 2023, these funds amounted to $33,162,493,000 (2022: $33,919,646,000). Additionally, at December 31, 2023, there were custodial arrangements for assets totalling $25,231,703,000 (2022: $12,756,472,000).

VM Pensions Management Limited is responsible for funds under management in respect of segregated and pooled pension funds. Total value of pension assets under management at December 31, 2023 is $62,800,000,000 (2022: $58,800,000,000).

32. NON-CONTROLLING INTEREST

The following table summarises information relating to the Group's material non-controlling interest (NCI) in VMIL, before any intra-group eliminations:

(a) Statement of financial position

	Group	
	2023 $'000	2022 $'000 Restated*
Total assets	29,506,794	28,941,792
Total liabilities	(27,006,585)	(26,503,220)
Net assets	2,500,209	2,438,572
Carrying amount of NCI	500,042	487,714
NCI percentage	20%	20%

(b) Profit and loss account and other comprehensive income:

	Group	
	2023 $'000	2022 $'000 Restated*
Revenue	3,532,565	3,553,296
Profit	198,843	716,588
Other comprehensive (loss)/gain	(137,207)	1,284,591
Total comprehensive income/(loss)	61,636	(568,003)
Group's share of total comprehensive profit/(loss)	12,328	(113,601)
Profit allocated to NCI	39,769	143,318
Other comprehensive loss allocated to NCI	(27,441)	(256,918)
Total comprehensive loss allocated to NCI	12,328	(113,600)

(c) Statement of cash flows

Cash flows used in operating activities	(3,290,914)	(1,940,726)
Cash flows from investment activities	317,926	532,667
Cash flows from financing activities	2,651,527	1,936,083
Net (decrease)/increase in cash and cash equivalents	(321,461)	528,024

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Definition and measurement of fair values

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. In 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 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. The different levels in the hierarchy have been defined as follows:

* See note 44

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Definition and measurement of fair values (cont'd)

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

Level 2 refers to financial assets and financial 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 refers to financial assets and financial 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.

(b) Valuation techniques for investment securities classified as Level 2

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

Type	Valuation techniques	Significant Unobservable input	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
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.	• There are no significant unobservable inputs		
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.	• There are no significant unobservable inputs		

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Valuation techniques for investment securities classified as Level 2 (cont'd)

The following table shows the valuation techniques used in measuring the fair value of investment securities (cont'd):

Type	**Valuation techniques**	**Significant Unobservable input**	**Range of estimates (weighted average) for unobservable input**	**Fair value measurement sensitivity to unobservable inputs**
Units in unit trust funds	• Obtain prices quoted by unit trust managers; and • Apply price to estimate fair value.	• Net asset value	• Investment based	• A significant increase in the expected cash flows would result in a high fair value.
Convertible preference shares	• Fair value determined by discounting the future expected cashflows using the after-tax cost of debt of 33.7% (2021: 9.39%, as previously reported)	• Risk-adjusted discount rate • Expected net cash flows derived from the entity	• Spread of above risk-free interest rate • Investment based	• A significant increase in the spread above the risk-free rate would result in a lower fair value. A significant increase in the expected cash flows would result in a higher fair value.

(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							
		2023							
		Carrying amount				Fair value			
	Note	FVOCI $'000	Fair value through profit or loss $'000	Amortised cost $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets									
Cash		-	-	9,628,702	9,628,702	-	9,628,702	-	9,639,107
Balances with Central Bank		-	-	1,470,766	1,470,766	-	1,470,766	-	1,470,766
Resale Agreement	11	-	-	3,782,576	3,782,576	-	6,460,446	-	6,460,446
Other assets		-	-	8,870,541	8,870,541	-	8,870,541	-	8,870,541
Government of Jamaica	9	21,901,941	-	3,006,411	24,908,352	-	24,908,352	-	24,908,352
Preference shares	10	-	752,597	-	752,597	-	-	752,597	752,597
Ordinary shares - quoted	10	510,001	1,479,017	-	1,989,018	1,989,018	-	-	1,989,018
Ordinary shares - unquoted	10	39	77,280	-	77,319	-	-	77,319	77,319
Bonds	10	10,976,635	-	5,588,625	16,565,260	-	16,608,654	-	16,608,654
Loans		-	-	121,930,499	121,930,499	-	-	121,930,499	121,930,499
Term deposits	10	-	-	709,118	709,118	-	709,118	-	709,118
Units in unit trust funds	10	-	4,355,852	-	4,355,852	-	4,355,852	-	4,355,852
		33,388,616	6,664,746	154,987,238	195,1040,600	1,989,018	73,012,431	122,760,415	197,761,864
Financial liabilities									
Due to specialised institutions	24	-	-	1,938,931	1,938,931	-	1,938,931	-	1,938,931
Other borrowings	27	-	-	25,448,720	25,448,720	-	25,448,720	-	25,448,720
Repurchase agreements	26	-	-	16,348,883	16,348,883	-	17,517,970	-	17,517,970
Lease liabilities	28	-	-	341,454	341,454	-	341,454	-	341,454
		-	-	44,077,988	44,077,988	-	45,247,075	-	45,247,075

VM FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Accounting classifications and fair values

		Restated* Group 2022							
		Carrying amount				Fair value			
	Note	FVOCI	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Cash		-	-	9,878,057	9,878,057	-	9,878,057	-	9,878,057
Balances with Central Bank		-	-	1,320,801	1,320,801	-	1,320,801	-	1,320,801
Resale Agreement		-	-	2,116,491	2,116,491	-	2,132,127	-	2,132,127
Other assets		-	-	8,831,564	8,831,564	-	8,831,564	-	8,831,564
Government of Jamaica	9	22,432,513	-	904,718	23,337,861	-	23,337,861	-	23,337,861
Preference shares	10	-	158	410,647	410,805	-	410,647	158	410,805
Ordinary shares - quoted	10	808,350	2,099,334	-	2,907,684	2,907,684	-	-	2,907,684
Ordinary shares - unquoted	10	8,637	72,494	-	81,131	-	81,131	-	81,131
Bonds	10	11,678,443	-	5,191,765	16,870,208	-	16,870,208	-	16,870,208
Treasury bills	10	-	-	2,388,162	2,388,162	-	2,388,162	-	2,388,162
Loans	12	-	-	111,389,609	111,389,609	-	-	111,389,609	111,389,609
Term deposits	10	-	-	618,077	618,077	-	618,077	-	618,077
Units in unit trust funds	10	-	4,966,741	-	4,966,741	-	4,966,741	-	4,966,741
		34,927,943	7,138,727	143,050,521	185,117,191	2,907,684	70,835,376	111,389,767	185,132,827
Financial liabilities									
Due to specialised institutions	24	-	-	571,627	571,627	-	571,627	-	571,627
Other borrowings		-	-	16,835,550	16,835,550	-	16,835,550	-	16,835,550
Repurchase agreements	27	-	-	17,714,662	17,714,662	-	19,764,104	-	19,764,104
Lease liabilities	28	-	-	417,348	417,348	-	417,348	-	417,348
		-	-	35,539,187	35,539,187	-	37,588,629	-	37,588,628

		Company 2023							
		Carrying amount				Fair value			
	Note	FVOCI	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Cash	8	-	-	640,684	640,684	-	640,684	-	640,684
Due from related entities	13	-	-	380,920	380,920	-	380,920	-	380,920
Other assets	14	-	-	1,132,817	1,132,817	-	1,132,817	-	1,132,817
-		-	-	2,154,421	2,154,421	-	2,154,421	-	2,154,421
Financial liabilities									
Due to related entities	13	-	-	193,797	193,797	-	193,797	-	193,797
Other liabilities	25	-	-	147,551	147,551	-	147,551	-	147,551
Other borrowings	27	-	-	11,024,010	11,024,010	-	11,024,010	-	11,024,010
-		-	-	11,365,358	11,365,358	-	11,365,358	-	11,365,358

During the year, the Group experienced fair value losses related to instruments that are measured at FVOCI amounting to $ 188,957,000. The decline is as a result of market conditions such as discount rates, yields and other macro-economic factors that affect the fair values.

34. NET INTEREST INCOME/(EXPENSE)

	Group		Company
	2023	2022	2023
	$'000	$'000 Restated*	$'000
Interest income, calculated using the effective interest method:			
Investment securities	4,711,006	3,696,134	193,525
Loans to customers	7,748,095	6,512,155	-
	12,459,101	10,208,289	193,525
Interest expense			
Repurchase agreements	(995,297)	(701,711)	-
Borrowings	(1,725,897)	(780,089)	(754,263)
Shareholders' savings	(3,276,609)	(2,007,852)	-
Depositors' savings	(527,445)	(838,960)	-
	(6,525,248)	(4,328,612)	(754,263)
Net interest income/(expense)	5,933,853	5,879,677	(560,738)

35. NET FEE AND COMMISSION INCOME/(EXPENSE)

	Group		Company
	2023	2022	2023
	$'000	$'000 Restated*	$'000
Fee and commission income			
Customers	1,837,636	789,083	-
Associated company	110,479	774,587	-
Other	228,289	168,113	-
	2,176,404	1,731,783	-
Fee and commission expenses			
Inter-bank transaction fees	(137,436)	(104,234)	-
Credit card fees	(50,721)	(29,070)	-
Other	(48,299)	3,563	(9,133)
	(236,456)	(129,741)	(9,133)
Net fee and commission income/(expense)	1,939,948	1,602,042	(9,133)

* See note 44

36. OTHER OPERATING REVENUE

	Group		Company
	2023	2022	2023
	$'000	$'000 Restated*	$'000
Foreign exchange trading gains, net	682,355	1,174,699	-
Fees for late payments	141,837	116,074	-
Rent	40,475	93,602	-
Dividends -from associates and subsidiaries	1,188,777	100,000	2,751,166
-other	65,683	108,927	-
Gain on investment activities	1,412,180	801,316	-
Gains on disposal of property, plant and equipment	805,699	373,686	-
Unrealised fair value gains/(losses) on quoted equites and units held in unit trust	59,493	(40,170)	-
Other income	187,670	2,254,718	574,653
	4,584,169	4,982,852	3,325,819

37. PERSONNEL COSTS

	Group		Company
	2023	2022	2023
	$'000	$'000	$'000
Salaries	3,018,002	3,487,727	4,194
Statutory payroll contributions	383,674	476,341	-
Group life, pension and health insurance contributions. [note 40(e)]	375,654	235,900	-
Termination payments	28,714	52,009	-
Other staff benefits	1,352,204	1,042,557	33,539
	5,158,248	5,294,534	37,733

Other staff benefits include training, health and wellness cost, uniform and performance appraisal and profit related benefits.

* See note 44

38. OTHER OPERATING EXPENSES

	Group		Company
	2023	2022	2023
	$'000	$'000 Restated*	$'000
Asset taxes	434,184	423,125	-
Overseas business development	227,782	220,908	-
Irrecoverable GCT	422,639	366,654	1,174
Marketing	442,740	456,073	5,140
Computer maintenance	940,809	686,006	-
Maintenance – buildings, furniture and fixtures	299,201	328,177	-
Insurance	249,616	214,617	-
Administration	522,046	181,557	1,491
Postage, courier and stationery	163,718	103,211	-
Electricity, water and telephone	249,675	158,711	-
Consultancy and other professional fees	448,917	355,619	37,206
Audit fees	133,274	114,968	7,500
Directors' fees [note 40(e)]	83,114	62,124	17,723
Security	122,644	110,631	-
Service contracts	-	97,920	-
Direct operating expenses for investment property that generated rental income	104,694	48,464	-
Credit card expenses	67,059	29,159	-
	4,912,112	3,957,924	70,234

39. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax expense is based on the profit for the year, as adjusted for tax purposes, and is computed at statutory rates of 33⅓% for company and regulated local subsidiaries, 30% for building society subsidiary and 25% for certain foreign and local non-regulated subsidiaries. In computing taxable income of the building society subsidiary, transfers to general reserves (as defined in the Income Tax Act) are exempt from income tax if the general reserves after such transfers do not exceed 5% of assets. The charge is made up as follows:

	Group		Company
	2023	2022	2023
	$'000	$'000 Restated*	$'000
(i) Current tax expense:			
Current tax at 30%	-	542,058	-
Current tax at 15%, 25% and 33½%	296,305	470,159	-
Adjustment for prior year's over provision	(5,158)	(10,436)	-
	291,147	1,001,781	-

* See note 44

39. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

(a) (Cont'd)

	Group 2023 $'000	Group 2022 $'000 Restated*	Company 2023 $'000
(ii) Deferred tax credit: Origination and reversal of other temporary differences [notes 15(a) and (b)]	(424,736)	(236,642)	(19,790)
Actual tax (credit)/expense recognised	(133,589)	765,139	(19,790)

(b) Reconciliation of actual tax charge

The effective tax rate, that is, the income tax expense as a percentage of the reported profit, is different from the statutory rates [note (a)] being 34% (2022: 18.8%) for the Group and 19% for the Company. The actual income tax expense differs from the expected income tax expense for the year, as follows:

	Group 2023 $'000	Group 2022 $'000 Restated*	Company 2023 $'000
Profit/(loss) before income tax	447,542	4,057,817	(103,185)
Computed "expected" income tax at 30%	(105,375)	829,857	-
Tax at 33⅓%	119,099	392,075	-
Tax at 25%	91,675	60,660	-
Effect of different tax rates for subsidiaries			
Tax effect of treating the following items differently for income tax than for financial statement purposes:			
Tax exempt income	(170,209)	(238,177)	-
Disallowed expenses and losses, net	(63,621)	91,160	-
Unclaimed Customer Deposits (>15yrs)	-	(360,000)	(19,790)
	(128,431)	775,575	(19,790)
Adjustment for prior years (over)/under provision	(5,158)	(10,436)	-
Actual tax expense recognised	(133,589)	765,139	(19,790)

* See note 44

40. RELATED PARTY TRANSACTIONS

(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, joint control or significant influence over the Group;

(2) is a member of the key management personnel of the Group.

(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 a Group 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 (i).

(7) A person identified in (i)(1) 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 part, provides key management personnel services to the Group.

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

(b) Identity of related parties

The Company has related party relationships with its parent company, fellow subsidiaries, direct and indirect subsidiaries, associated companies, directors, executives, and senior officers of those entities. The directors, senior officers and executives are collectively referred to as "key management personnel".

40. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Group		Company
	2023	2022	2023
	$'000	$'000	$'000
Related entities:			
Due to related entities	(17,401)	-	(193,797)
Due from related entities	402,707	333,519	230,901
Due from parent and	-	-	-
Ultimate parent	235,452	-	150,019
Other assets	1,124,266	-	1,031,849
Shareholders' savings	(282,375)	-	-
Preference shares	-	-	(410,647)
Purchase of shares – subsidiaries	-	-	8,420,000
Key management personnel			
Executive Management:			
Mortgage loans	410,105	419,393	-
Other loans	109,577	104,200	-
Shareholders' savings	(166,090)	(184,024)	-
Non-executive directors:			
Mortgage loans	55,282	27,144	-
Shareholders' savings	(38,288)	-	
Other loans	3,297	-	-
Other liabilities	(1,435)	(24,408)	-
Associate:			
Purchase of shares associate	-	-	628,174
Investments	-	290,000	-
Other assets	70,548	-	-
Interest on investments	-	2,701	-
Shareholders' savings	-	(958,321)	-

Average interest rates charged on loans are lower than the rates that would be charged in an arm's length transaction. Interest rates on these loans range from .01% to 3.5% and is repayable based on agreed terms. Resale agreements held with related parties mature before first quarter 2024 with an average coupon rate of 4.68%. Repo liability matures in the first quarter 2024 with an average coupon rate of 9.25%. Shareholders savings pay average interest rates of 0.02% to 0.65% on savings and 0.40% to 2.2% on fixed deposits.

The mortgages and secured loans granted are secured on the property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

Resale agreements, repurchase agreements, investment securities and loans receivable transactions with related parties have been conducted in the ordinary course of the Group's business at rates and on terms comparable to those with customers that are not related to the Group. Other balances due to or from related parties are unsecured, interest free, and due for settlement within three months after the reporting date. There was no impairment loss recognised on related party balances during the reporting period.

40. RELATED PARTY TRANSACTIONS (CONT'D)

(d) The income statement includes income earned/(expenses incurred) from transactions with related parties, as follows:

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000
Key management personnel:			
Executive Management:			
Interest from loans	26,629	22,685	-
Interest expense	(2,001)	(1,386)	-
Directors:			
Interest from loans	4,125	2,789	-
Interest expense	(142)	(56)	-
Director fees	(83,114)	(67,676)	(17,723)
Other related entities:			
Interest and dividends from investments	-	368,500	-
Interest on loans	-	196,350	-
Other operating revenue	858,323	77,309	31,849
Other operating expenses	(2,684)	(24,116)	-
Interest expense	-	(86,633)	-
Subsidiaries:			
Interest expense	-	-	(27,364)
Associate:			
Interest expense	-	(75,384)	-
Dividends	-	109,104	-
Interest on investments	-	28,921	-
Interest expense	-	(60,321)	-
Other operating income	149,862	(129,025)	39,384
Other operating expenses	-	(33,657)	-

(e) Key management personnel compensation

In addition to directors' fees paid to non-executive directors (note 38), compensation of key management personnel, included in personnel costs (note 37), is as follows:

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000
Short-term employee benefits	878,169	793,084	28,496
Post employment benefits	12,160	11,732	9,237
	890,329	804,816	37,733

Those key management personnel under the defined benefit pension plan (Note 14), in addition to their salaries, are provided with non-cash benefits as well as post-employment benefits. In accordance with the rules of the plan, key management personnel, executive directors retire at age 62 (or 65 if joining after January 1, 2006) and may continue to receive medical benefits, at the discretion and approval of the Board of Directors. In the case of preferential staff rates on loans, this benefit continues to age 65 when the rate is adjusted with reference to market.

40. RELATED PARTY TRANSACTIONS (CONT'D)

(e) Key management personnel compensation (cont'd)

Under the Victoria Mutual Building Society's rules, retired non-executive directors who have served the Board continuously for at least five years and have attained the age of 65 receive a pension at a specified percentage of the gross annual average director's fee received during the five years immediately preceding retirement, or alternatively, a gratuity in lieu of pension, based on a percentage of the annual pensions.

41. CAPITAL COMMITMENTS

Commitments for capital expenditure for the Group amount to approximately $644,236,122 (2022: $1,848,899,794) at the reporting date.

42. CHANGES IN MATERIAL ACCOUNTING POLICIES

(a) Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* from January 1, 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences e.g. leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities 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. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases by applying the "integrally linked" approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at February 1, 2023 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised (see note 15).

42. CHANGES IN MATERIAL ACCOUNTING POLICIES (CONT'D)

(b) Material accounting policy information

The Group adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the disclosure of accounting policies information in the financial statements.

The amendments require the disclosure of "material", rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates in certain instances in line with the amendments to the information disclosed in note 4 *Material Accounting Policies*. (2022: *Significant accounting policies*).

43. SCHEME OF ARRANGEMENT

Under the court approved Scheme of Arrangement, the following transactions were effected to recognise the VM Financial Group Limited. This is consistent with the accounting policy adopted in the financial statements of the ultimate parent, VM Group Limited and all companies within the Group. As such, the adjustments were as follows:

(a) Interest in financial services subsidiary companies were transferred from Victoria Mutual Building Society (VMBS) to the Company through a process of cancellation of the shares previously held and reissuing the same number of shares to the Company on February 1, 2023.

(b) Interest in the associated company, British Caribbean Insurance Company Limited (BCIC) was also transferred from VMBS to the Company on February 1, 2023.

(c) The Company as at February 1, 2023, determined the net asset value of VMBS to be $17,424,846,000. The breakdown of the net assets was as follows:

	$'000
Permanent capital fund	7,746,058
Reserve fund	1,684,509
Retained earnings reserve	7,225,160
Non-distributable reserve	(446,131)
Credit facility reserve	2,569,620
Investment valuation reserve	(1,364,370)
General reserve	10,000
	17,424,846

VM FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

43. SCHEME OF ARRANGEMENT (CONT'D)

(d) The interest in the non-financial Group subsidiaries of $200,002,000 were transferred to the parent company VM Group Limited on February 1, 2023.

(e) The carrying value of the interest in associate and subsidiaries amounting $1,188,777,000 and $1,562,389,000 respectively, which were based on the distribution of the Society's interest to the VM Financial Group Limited, were simultaneously eliminated.

44. CORRECTION OF ERRORS

The following tables summarize the impact of prior period adjustments in respect of:

(i) Treatment of loan origination fees by Victoria Mutual Building Society and VM Investments Limited.

(ii) Impairment of VM Investments Limited interest in its associated company Carilend Caribbean Holdings Limited.

(iii) Impairment of investment in Carilend Caribbean Holdings Limited convertible preference shares.

(iv) Errors in data inputs in expected credit loss model in Victoria Mutual Building Society and VM Wealth Limited on other receivables.

(v) Errors in client settlement accounts in VM Wealth Limited.

(a) Statement of financial position

		Group				
		December 31, 2022				
	Notes	As per VMBS 2022 $'000	Transfer $'000	After transfer $'000	Adjustments $'000	As Restated
Investment securities – other	(iii) (f)	27,571,598	-	27,571,598	(272,206)	27,299,392
Other assets	(i),(iv), (d), (g)	10,367,961	(193,488)	10,174,473	(486,067)	9,688,406
Loans	(i) (d)	112,123,802	-	112,123,802	(734,193)	111,389,609
Interest in associate	(ii) (e)	3,723,201	(50,239)	3,672,962	-	3,672,962
Income tax recoverable	(i) (d	123,354	-	123,354	68,342	191,696
Deferred tax assets	(iv),(g)	1,048,928	(3,123)	1,045,805	80,283	1,126,088
Others		44,741,013	134,148	44,875,161	-	44,875,161
Total assets		199,699,857	(112,702)	199,587,155	(1,343,841)	198,243,314
Income tax payable	(i),(d)	313,299	4	313,303	(132,452)	180,851
Other liabilities	(v)(h)	6,291,098	(14,737)	6,276,361	453,510	6,729,871
Deferred tax liabilities	(iv),(g)	100,180	(739)	99,441	(78,337)	21,104
Retained earnings	(i)-(iv),(d)-(i)	4,726,180	31,295	4,757,475	(1,378,045)	3,379,430
Non-controlling interest	(ii) –(vi),(d)-(i)	696,231	-	696,231	(208,517)	487,714
Others		187,572,869	(128,525)	187,444,344	-	187,444,344
Total liabilities and equity		199,699,857	(112,702)	199,587,155	(1,343,841)	198,243,314

VM FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

44. CORRECTION OF ERRORS (CONT'D)

(a) Statement of financial position (cont'd)

	Notes	Group January 1, 2022 As per VMBS 2022 $'000	Transfer $'000	After transfer $'000	Adjustments $'000	As Restated $'000
Investment securities – Other	(iii) (f)	26,772,289	-	26,772,289	(266,069)	26,506,220
Cash and cash equivalents	(v)(h	8,882,261	(30,874)	8,851,387	79,480	8,930,867
Other assets	(i),(iv), (d), (g),	7,610,901	(93,747)	7,517,154	(552,793)	6,964,361
Loans	(i) (d	102,843,284	-	102,843,284	(440,741)	102,402,543
Income tax recoverable	(i) (d	581,356	-	581,356	68,342	649,698
Interest in associates	(ii) (e)	2,303,881	-	2,303,881	(21,399)	2,282,482
Deferred tax assets	(iv),(g)	362,822	(6,052)	356,770	105,311	462,081
Others		42,904,776	79,489	42,984,265	-	42,984,265
Total assets		192,261,570	(51,184)	192,210,386	(1,027,869)	191,182,517
Income tax payable	(i),(d)	118,909	-	118,909	(79,693)	39,216
Other liabilities	(v)(h),	4,092,695	(15,175)	4,077,520	554,758	4,632,278
Deferred tax liabilities	(iv),(g)	379,510	(6)	379,504	(59,936)	319,568
Retained earnings	(i)-(v),(d)-(i)	4,169,628	(71,672)	4,097,956	(1,234,071)	2,863,885
Non-controlling interest	(ii) –(vi),(d)-(i)	810,241	-	810,241	(208,927)	601,314
Others		182,690,587	35,669	182,726,256	-	182,726,256
Total liabilities and equity		192,261,570	(51,184)	192,210,386	(1,027,869)	191,182,517

(b) Statement of profit or loss and other comprehensive income

	Notes	Group December 31, 2022 As per VMBS 2022 $'000	Transfer $'000	As previously reported $'000	Adjustments $'000	As Restated $'000
Interest income, calculated using the effective interest method	(i) (d)	10,161,496	(719)	10,160,777	47,512	10,208,289
Interest expense		(4,328,454)	(158)	(4,328,612)	-	(4,328,612)
Fee and commissions income	(i) (d)	2,353,724	(187,016)	2,166,708	(434,925)	1,731,783
Fee and commissions expense	(i) (d)	(263,450)	72,862	(190,588)	60,847	(129,741)
Other operating revenue	(i),(iii), (h),(f)	4,905,841	56,707	4,962,548	20,304	4,982,852
Personnel costs		(5,466,075)	171,541	(5,294,534)	-	(5,294,534)
Impairment credit/(charge) on financial assets	(iv),(g)	358,640	-	358,640	88,337	446,977
Depreciation and amortisation		(924,745)	(3,427)	(928,172)	-	(928,172)
Operating expenses	(i) (f)	(3,958,683)	(6,070)	(3,964,753)	6,829	(3,957,924)
Extinguishment of deposits		1,200,000	-	1,200,000	-	1,200,000
Share of profit in associate	(ii),(e),(i)	105,500	-	105,500	21,399	126,899
Income tax charge	(i) (d)	(819,669)	8,399	(811,270)	46,131	(765,139)
Profit for the year		3,324,125	112,119	3,436,244	(143,566)	3,292,678
Profit/(loss) for the year attributable to:						
Shareholders of the company		3,181,217	112,119	3,293,336	(143,976)	3,149,360
Non-controlling interest	(ii)-(iv),(d)-(h)	142,908	-	142,908	410	143,318
		3,324,125	112,119	3,436,244	(143,566)	3,292,678
Other comprehensive loss, net of tax		(3,482,101)	(9,163)	(3,491,264)	-	(3,491,264)
Total comprehensive (loss)/ income for the year		(157,976)	102,956	(55,020)	(143,566)	(198,586)
Total comprehensive (loss)/ income for the year attributable to:						
Shareholders of the company		(43,966)	102,956	58,990	(143,976)	(84,986)
Non-controlling interest	(ii)-(iv),(d)-(h)	(114,010)	-	(114,010)	410	(113,600)
		(157,976)	102,956	(55,020)	(143,566)	(198,586)

VM FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

44. CORRECTION OF ERRORS (CONT'D)

(c) Statement of cash flows

	Group				
	December 31, 2022				
	As per VMBS 2022 $'000	Transfer $'000	As previously reported $'000	Adjustments $'000	As Restated
Cash flows from operating activities:					
Profit for the year	3,324,125	112,119	3,436,244	(143,566)	3,292,678
Adjustments for:					
Share of profit in associate	(105,500)	-	(105,500)	(21,399)	(126,899)
Impairment(gains)/losses on financial assets	(358,640)	-	(358,640)	(88,337)	(446,977)
Unrealised exchange (gains)/losses on foreign currency balances	34,137	-	34,137	6,033	40,170
Gains from investment activities	(863,041)	50,239	(812,802)	11,486	(801,316)
Interest income	(10,161,496)	719	(10,160,777)	(47,512)	(10,208,289)
Income tax charge	819,669	(8,399)	811,270	(46,131)	765,139
Other assets	(247,748)	(137,044)	(384,792)	68,129	(316,663)
Loan advances, net of repayments	(9,025,132)	-	(9,025,132)	295,456	(8,729,676)
Other liabilities	2,078,399	1,516	2,079,915	(102,322)	1,977,593
Others	22,941,827	(16,494)	22,925,333	-	22,925,333
Net cash provided by operating activities	8,436,600	2,656	8,439,256	(68,163)	8,371,093
Cash flows from operating activities:					
Investment securities (purchased)/sold, net	(1,307,028)	-	(1,307,028)	(11,317)	(1,318,345)
Other	(4,671,519)	(34,480)	(4,705,999)	-	(4,705,999)
Net cash used in investing activities	(5,978,547)	(34,480)	(6,013,027)	(11,317)	(6,024,344)
Net cash provided by financing activities	1,766,134	612	1,766,746	-	1,766,746
Net increase in cash and cash equivalents	4,224,187	(31,212)	4,192,975	(79,480)	4,113,495
Cash and cash equivalents at beginning of year	7,748,351	(30,874)	7,717,477	79,480	7,796,957
Effect of exchange rate fluctuations on cash and cash equivalents	(2,032,395)	-	(2,032,395)	-	(2,032,395)
Cash and cash equivalents at end of year	9,940,143	(62,086)	9,878,057	-	9,878,057

(d) Treatment of loan origination fees by Victoria Mutual Building Society and VM Investments Limited

Loan origination fees were previously recorded immediately as net fee and commission income. IFRS 9 requires these fees to be capitalized to the loan and the revenue earned to be recorded as part of the interest earned, using the effective interest method.

For the 2022 financial year, loan origination fees have been adjusted against the carrying value of the loan and amortised over the life of the loans using the effective interest method. For 2022 fee and commission income has been reduced, interest income increased, and the related tax effects recognised. Adjustments have been made at 1 January 2022 to take into account these impacts on prior periods

(e) Impairment of VM Investments Limited interest in the associated company Carilend Caribbean Holdings Limited

During 2022 the valuation of the subsidiary investment in its associated company was significantly impaired and written down to nil. It was further revealed, that the previous valuation done in 2021 was not correctly performed in accordance with IAS 36 Impairment of Assets and the investment was in fact impaired. The investment should have been written down to nil.

44. CORRECTION OF ERRORS (CONT'D)

(f) Impairment of Carilend Caribbean Holdings Limited convertible preference shares

During 2022, the valuation of VM Investment Ltd investment in the US$1,800,000 cumulative convertible preference shares issued by its associated company Carilend Caribbean Holdings Limited showed a decline in fair value. It was further revealed that the previous valuation done in 2021 was not correctly performed in accordance with IFRS 13, Fair Value Measurement. As such the 2021 balance was also determined to be devalued to nil.

Consequently, the interest income and receivable that were previously recorded were written off.

(g) Expected credit loss model in Victoria Mutual Building Society and VM Wealth Management Limited.

During the year, the abovementioned entities performed an evaluation of the other receivable balances from customers for impairment in accordance with IFRS 9. The review revealed that an impairment allowance was required for customer balances commencing from the reporting year ended December 31, 2021. Consequently, ECL allowances were established for those accounts receivable customer balances. The deferred tax impact on the ECL adjustments were also considered and reflected in the prior period adjustments.

(h) Client settlement account in VM Wealth Management Limited.

During the year, the abovementioned entity performed an evaluation of the other liabilities and bank accounts. The review identified that accounts payable and cash and cash equivalents were understated for the years ended December 31, 2021 and 2022.

The impact of the adjustments to the amounts previously reported has been applied retrospectively by adjusting the opening balances of each affected financial statement line item for the earliest period presented.

45. SUBSEQUENT EVENTS

(a) On March 28, 2024, Victoria Mutual Building Society sold its holdings in Niquan Energy Trinidad valued at $1,142,000,000 to VM Group Limited, for better alignment of risks, capital and returns.

(b) On March 27, 2024, VM Investments Limited sold its 30% shareholding in Carilend Caribbean Holdings Limited to VM Financial Group Limited, parent company, for US$4,920,000 (JMD$758,999,052). To facilitate the sale, VM Investments Limited authorised and extended a loan facility to VM Financial Group Limited for a term of two (2) years at an interest rate of 10.50% per annum.

45. SUBSEQUENT EVENTS (CONT'D)

(c) On January 19, 2024, VM Investments Limited acquired Republic Funds (Barbados) Incorporated (RFI) for US$400,000 (J$62,200,000), having received the approval of the regulators in Barbados and Jamaica.

VM Wealth Management Limited through its Barbados Office, has assumed the role of administrator of the Mutual Funds, comprising the Republic Capital Growth Fund, Republic Income Fund and the Republic Property Fund.

RFI and the Mutual Funds have been renamed as follows:

Former Name	**New Name**
Republic Funds (Barbados) Incorporated	VM Wealth Funds Limited
Republic Capital Growth Fund	VM Wealth Capital Growth Fund
Republic Income Fund	VM Wealth Income Fund
Republic Property Fund	VM Wealth Property Fund