



VICTORIA MUTUAL
Investments
LIMITED



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER ENDED JUNE 30, 2019

KINGSTON, JAMAICA

DATE: Monday, July 29, 2019

VICTORIA MUTUAL INVESTMENTS LIMITED
REPORTS RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

PERFORMANCE HIGHLIGHTS –

	Quarter ended		Year to date	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Consolidated Revenue	\$397.58M	\$283.98M	\$826.94M	\$576.21M
Net Profit	\$134.94M	\$17.56M	\$252.78M	\$96.26M
Return on Average Equity	14.50%	2.81%	14.73%	7.59%
Capital to Total Assets	16.59%	13.17%	16.59%	13.17%
Efficiency Ratio	56.88%	49.31%	58.77%	57.29%
Basic Earnings per Share (\$)	\$0.09	\$0.01	\$0.17	\$0.06
Net Book Value per Share (\$)	\$2.73	\$1.66	\$2.73	\$1.66

The Board of Directors of Victoria Mutual Investments Limited (VMIL) is pleased to present the unaudited consolidated results for the quarter and six months ended June 30, 2019.

CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated profit after tax for the six months ended June 30, 2019 was \$252.78 million, reflecting an increase of \$156.52 million or 162.61% over the corresponding period of 2018. Earnings per share for the same period was \$0.17 (June 30, 2018: \$0.06).

Consolidated revenue for the six-month period was \$826.94 million, reflecting an increase of \$250.73 million over the \$576.21 million for the corresponding period of 2018. This significant 43.51% growth in revenue was driven by net fees and commissions, which increased by \$119.37 million or 32.25% to \$489.51 million, with corporate advisory fees contributing \$293.55 million or 35.50% of total revenue (2018: \$260.59 million or 45.23%).



VICTORIA MUTUAL
Investments
LIMITED



PRESS RELEASE

For the first half of 2019, all business lines recorded encouraging growth, as evidenced by:

- On Balance Sheet Assets increased by 14.12%.
- Our Asset Management Portfolios grew by 15.85%, with our flagship JMD Equity Portfolio recording enviable market-leading gains of 46.28% over the past 12 months.
- Increase in fee income from our Equity Brokerage Unit of 251.33% compared with the same period in 2018. This is attributable to our increased market share in the robust local equity trading market.
- Our Bond Trading desk capitalising on the favourable market conditions which existed for the first half of 2019, resulting in income growth of 257.79%.
- Continued market penetration of our Capital Markets Unit in securing new mandates from small, medium and large companies for corporate financing.

Additionally:

- Our HR Engagement Index, a key strategic metric, showed a 6% improvement year over year, as efforts continue towards executing on our Employee Value Proposition.
- In keeping with our commitment to empower our clients with knowledge for their financial well-being, this quarter we executed on various educational initiatives, including our flagship VM Wealth Talks series. The theme was “Get Listed”, held in conjunction with the Jamaican Manufacturers and Exporters Association (JMEA), targeting companies that require professional advice to guide them in the process of getting listed on the Jamaica Stock Exchange (JSE).

Operating expenses, excluding the provision for credit losses on financial assets, totalled \$485.98 million for the six-month period, representing an increase of \$115.87 million or 47.22% when compared to the prior year period. These expenses relate to staff development, asset tax and support services required to grow our business.

The provision for credit losses on financial assets for the quarter and six months ended June 30, 2019 totalled \$7.58 million and \$16.44 million, respectively. This represented a significant reduction of \$105.77 million (93.31%) and \$98.07 million (85.64%) over the corresponding prior year quarter and period, respectively.

-More-

CONSOLIDATED FINANCIAL POSITION

ASSETS

Total assets increased year over year by \$5.77 billion or 30.51% to \$24.66 billion as at June 30, 2019. This was partly attributable to an increase of \$3.24 billion in investment securities.

LIABILITIES

Total liabilities were \$20.57 billion as at June 30, 2019, an increase of \$4.16 billion or 25.37% from last year, driven mainly by an increase in repurchase agreements.

CAPITAL

Our capital base continues to be strong with total shareholders' equity standing at \$4.09 billion as at June 30, 2019, increasing by \$1.60 billion or 64.3% from \$2.49 billion at the end of June 2018. This resulted in a book value per share of \$2.73 (2018: \$1.66). The growth in total equity is mainly attributable to:

- the net increase of \$329.12 million in retained earnings, representing the undistributed portion of our 2018 earnings and current period's net profit;
- the year over year increase of \$1.26 billion in the investment revaluation reserve, representing revaluation gains on investment securities and equity instruments.

Our wholly owned subsidiary, Victoria Mutual Wealth Management Limited (VM Wealth), a licensed securities dealer, continues to be well capitalised, with a risk weighted capital adequacy ratio of 15.44%, which is above the regulatory requirement of 10%. VM Wealth's capital to total assets ratio of 14.84% as at June 30, 2019 exceeded the regulatory minimum of 6%.

OFF-BALANCE SHEET HIGHLIGHTS

Assets managed on behalf of clients, under management agreements on a non-recourse basis, grew by \$8.54 billion or 43.53%, from \$19.62 billion as at June 30, 2018 to \$28.17 billion as at the end of the current period. The year over year growth was mainly fuelled by strong net inflows of \$7.89 billion into the Unit Trust portfolios.



VICTORIA MUTUAL
Investments
LIMITED



PRESS RELEASE

ACKNOWLEDGEMENT

We express appreciation to the committed team members of the Group and our valued clients for their continued support.

On behalf of the Board of Directors:

Phillip Silvera
Director

Rezworth Burchenson
Chief Executive Officer


For further information contact:


Clover Moore, Assistant Vice President - Corporate Affairs and Communications
Victoria Mutual Group
Email: Clover.Moore@myvmgroup.com | Mobile: (876) 383-2724

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Financial Position
June 30, 2019

	Unaudited June 30, 2019 \$'000	Unaudited June 30, 2018 \$'000	Audited December 31, 2018 \$'000
ASSETS			
Cash and cash equivalents	2,338,255	578,997	740,538
Resale agreements	2,164,262	2,561,852	4,217,141
Investment securities	17,242,667	14,005,106	13,241,358
Net investments in finance leases	95,651	84,434	108,371
Loan receivables	1,076,207	693,372	1,376,139
Accounts receivable:			
- Customers	873,495	281,313	868,721
- Other	447,833	270,611	530,631
Income tax recoverable	56,229	10,867	8,621
Deferred tax asset	56,577	153,911	182,398
Property, plant and equipment	17,287	23,133	19,743
Intangible assets	292,550	232,233	316,538
TOTAL ASSETS	24,661,013	18,895,829	21,610,199
LIABILITIES AND EQUITY			
Liabilities:			
Due to parent company	4,179	1,103	-
Borrowings	1,410,625	1,506,086	1,410,625
Accounts payable:			
- Customers	886,067	866,467	1,312,170
- Brokers	250,532	221,348	127,594
- Other	1,764,388	594,062	447,685
Repurchase agreements	16,218,262	13,168,474	15,454,981
Income tax payable	-	-	48,720
Deferred tax liability	-	159	-
Employee benefit obligation	36,000	49,400	36,000
TOTAL LIABILITIES	20,570,053	16,407,099	18,837,775
Equity:			
Share capital	707,887	707,887	707,887
Non-controlling interest	50,000	50,000	50,000
Share premium	24,000	24,000	24,000
Investment revaluation reserve	1,362,511	101,665	251,753
Other reserve	2,334	(9,933)	2,334
Retained earnings	1,944,228	1,615,111	1,736,450
TOTAL EQUITY	4,090,960	2,488,730	2,772,424
TOTAL LIABILITIES AND EQUITY	24,661,013	18,895,829	21,610,199

Approved for issue by the Board of Directors on July 29, 2019 and signed on its behalf by:


 _____ Director
 Phillip Silvera


 _____ Chief Executive Officer
 Rezworth Burchenson

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Six Months ended June 30, 2019

	Quarter ended June 30, 2019	Quarter ended June 30, 2018	Year to date June 30, 2019	Year to date June 30, 2018
	\$'000	\$'000	\$'000	\$'000
Interest income	197,406	172,739	398,402	353,664
Interest expense	(132,233)	(119,273)	(258,053)	(233,996)
Net interest income	65,173	53,466	140,349	119,668
Gains from investment activities	87,287	36,601	167,279	79,563
Net fees and commissions	207,771	170,424	489,507	370,137
Other income	37,349	23,486	29,803	6,842
Other operating revenue	332,407	230,511	686,589	456,542
Net interest income and other operating revenue	397,580	283,977	826,938	576,210
Staff costs	(124,112)	(74,472)	(245,262)	(156,636)
Other operating costs	(102,044)	(65,545)	(240,722)	(173,479)
Provision for credit losses on financial assets	(7,582)	(113,354)	(16,442)	(114,513)
	(233,738)	(253,371)	(502,426)	(444,628)
Profit before income tax	163,842	30,606	324,512	131,582
Income tax	(28,901)	(13,050)	(71,733)	(35,325)
Profit for the period	134,941	17,556	252,779	96,257
Other Comprehensive Income:				
Items that will never be reclassified to profit or loss:				
Change in fair value of equity instruments designated at fair value through other comprehensive income (FVOCI)	561,510	14,280	892,500	(10,710)
	561,510	14,280	892,500	(10,710)
Items that may be reclassified to profit or loss:				
Change in fair value of investment securities	125,796	(92,085)	327,387	(133,809)
Deferred tax on change in fair value of investment securities	(41,932)	30,695	(109,129)	44,603
	83,864	(61,390)	218,258	(89,206)
Other comprehensive income/(loss) net of tax	645,374	(47,110)	1,110,758	(99,916)
Total comprehensive income/(loss) for the period	780,315	(29,554)	1,363,537	(3,659)
Basic earnings per share (expressed in \$ per share)	<u>\$ 0.09</u>	<u>\$ 0.01</u>	<u>\$ 0.17</u>	<u>\$ 0.06</u>

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Changes in Equity
Six Months ended June 30, 2019

	<u>Share capital</u> \$'000	<u>Share premium</u> \$'000	<u>Investment revaluation reserve</u> \$'000	<u>Other reserve</u> \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000	<u>Non- controlling interest</u> \$'000	<u>Total equity</u> \$'000
Balances as at December 31, 2017	707,887	24,000	201,581	(9,933)	1,610,487	2,534,022	50,000	2,584,022
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	(61,632)	(61,632)	-	(61,632)
Adjusted balance as at January 1, 2018	707,887	24,000	201,581	(9,933)	1,548,855	2,472,390	50,000	2,522,390
Profit for the period	-	-	-	-	96,257	96,257	-	96,257
Other comprehensive income/(loss):								
Change in fair value of investment securities, net of deferred tax	-	-	(89,206)	-	-	(89,206)	-	(89,206)
Net losses on equity instruments designated at fair value	-	-	(10,710)	-	-	(10,710)	-	(10,710)
Total other comprehensive loss for the period	-	-	(99,916)	-	-	(99,916)	-	(99,916)
Total comprehensive loss for the period	-	-	(99,916)	-	96,257	(3,659)	-	(3,659)
Transaction with shareholders:								
Dividends	-	-	-	-	(30,001)	(30,001)	-	(30,001)
Balances as at June 30, 2018	707,887	24,000	101,665	(9,933)	1,615,111	2,438,730	50,000	2,488,730

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Changes in Equity (Cont'd)
Six Months ended June 30, 2019

	<u>Share capital</u> \$'000	<u>Share premium</u> \$'000	<u>Investment revaluation reserve</u> \$'000	<u>Other reserve</u> \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000	<u>Non- controlling interest</u> \$'000	<u>Total equity</u> \$'000
Balances as at December 31, 2018	707,887	24,000	251,753	2,334	1,736,450	2,722,424	50,000	2,772,424
Profit for the period	-	-	-	-	252,779	252,779	-	252,779
Other comprehensive income:				.				
Change in fair value of investment securities, net of deferred tax	-	-	218,258	-	-	218,258	-	218,258
Net gains on equity instruments designated at fair value	-	-	892,500	-	-	892,500	-	892,500
Total other comprehensive income for the period	-	-	1,110,758	-	-	1,110,758	-	1,110,758
Total comprehensive income for the period	-	-	1,110,758	-	252,779	1,363,537	-	1,363,537
Transaction with shareholders:								
Dividends	-	-	-	-	(45,001)	(45,001)	-	(45,001)
Balances as at June 30, 2019	707,887	24,000	1,362,511	2,334	1,944,228	4,040,960	50,000	4,090,960

VICTORIA MUTUAL INVESTMENTS LIMITED

Consolidated Statement of Cash Flows

Six months ended June 30, 2019

	June 30, 2019	June 30, 2018
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	252,779	96,257
Adjustments for items not involving cash:		
Depreciation of property, plant & equipment	3,296	3,463
Amortisation of intangible assets	24,623	1,261
Impairment loss on investments	16,236	114,513
Impairment loss on margin loans	206	-
Interest income	(398,402)	(353,664)
Interest expense	258,053	233,996
Income tax expense	71,733	35,325
Gains from investment activities	(167,279)	(38,029)
Unrealised exchange gains	(19,493)	(33,161)
Fair value gains on securities at fair value through profit or loss	(8,202)	(12,425)
Operating profit before changes in operating assets and liabilities:	33,550	47,536
Changes in operating assets and liabilities:		
Resale agreements	1,959,018	570,515
Receivable from customers	11,898	148,759
Accounts receivable - other	173,415	245,435
Loan receivables	251,143	(252,520)
Repurchase agreements	671,848	(59,822)
Payable to customers	(455,741)	(2,367,090)
Payable to brokers	122,937	151,752
Accounts payable - other	1,323,729	(73,342)
Interest and dividends received	4,091,797	(1,588,777)
Interest paid	422,533	499,470
Income tax paid	(246,112)	(261,417)
	(151,369)	(130,696)
Net cash provided by/(used in) operating activities	4,116,849	(1,481,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(840)	(3,556)
Acquisition of intangible assets	(635)	-
Investment securities, net movement	(2,503,341)	(2,332,952)
Net cash used in investing activities	(2,504,816)	(2,336,508)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	-	999,978
Dividend paid	(45,001)	(30,001)
Net cash (used in)/provided by financing activities	(45,001)	969,977
Increase/(decrease) in net cash and cash equivalents	1,567,032	(2,847,951)
Net cash and cash equivalents at beginning of period	740,538	3,409,989
Effect of exchange rate changes on cash and cash equivalents	30,685	16,959
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,338,255	578,997

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Consolidated Financial Statements June 30, 2019

1. Identification

Victoria Mutual Investments Limited (“the Company”) is incorporated and domiciled in Jamaica. The Company is an 80% owned subsidiary of The Victoria Mutual Building Society (“Ultimate Parent Society” or “VMBS”). The Ultimate Parent Society is incorporated in Jamaica under the Building Societies Act. The Company’s registered office is located at 8-10 Duke Street, Kingston, Jamaica.

The Company issued 20% of its ordinary shares to the public on December 27, 2017 and was listed on the Jamaica Stock Exchange on December 29, 2017.

The Company’s income during the period was comprised mainly of income from investment activities.

The Company has a wholly-owned subsidiary, Victoria Mutual Wealth Management Limited (“the Subsidiary Company”), which is incorporated and domiciled in Jamaica. The principal activities of the Subsidiary Company are investment brokering, the provision of financial and investment advisory services and money market dealing. The Company’s activities are administered by its Subsidiary Company.

The Company and its Subsidiary are collectively referred to as “the Group”.

2. Basis of preparation

These interim condensed consolidated financial statements (‘interim financial statements’) have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended December 31, 2018 (‘last annual financial statements’), which have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act. These interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These interim financial statements are presented in Jamaica dollars, which is the Group’s functional currency.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Consolidated Financial Statements June 30, 2019

4. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the chief operating decision maker, the entire operations of the Group are considered as one operating segment.

5. Dividends

At the Board of Directors meeting held on May 14, 2019, a resolution was passed approving the payment of an interim dividend of \$0.03 per share amounting to \$45,000,750, which was paid on June 12, 2019 to shareholders on record as at May 29, 2019.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by a weighted average number of ordinary shares held during the six-month period.

	2019	2018
Number of ordinary shares	1,500,025,000	1,500,025,000
Profit attributable to owners of the Company	252,779,000	96,257,000
Basic earnings per share (expressed in \$ per share)	<u>\$0.17</u>	<u>\$0.06</u>

VICTORIA MUTUAL INVESTMENTS LIMITED
Top Ten Largest Shareholders as at June 30, 2019

RANK	NAME	SHAREHOLDINGS
1.	The Victoria Mutual Building Society	1,200,020,000
2.	Geoffrey Forde	11,155,472
3.	PAM – University Hospital Scheme of Pensions	7,560,600
4.	Rezworth Burchenson & Valerie Burchenson	6,577,830
5.	Michael McMorris & Christine McMorris	5,736,124
6.	VM Wealth Equity Fund	4,791,347
7.	Devon D. Barrett	4,433,590
8.	Rickardo Ebanks & Alda Ebanks	4,302,884
9.	PAM – Pooled Equity Fund	3,673,648
10.	Guardian Life Limited	3,324,567

VICTORIA MUTUAL INVESTMENTS LIMITED
Shareholdings of Senior Managers / Connected Parties
as at June 30, 2019

NAME	SHAREHOLDINGS
Rezworth Burchenson/Valerie Burchenson	6,577,830
Valerie Burchenson	249,952
Lloyd C. Bramwell	30,404
Rachelle Burchenson	75,000
Oswald Burchenson	212,147
Karlene Mullings / Clive Mullings	50,000
Winston George Jr McKane / Karlene Mullings	5,000
Kellia McKane / Karlene Mullings	5,000
Colando Hutchinson / Frances Hutchinson	1,240,973
Nicole Adamson	139,000
Denise Marshall-Miller/ Wayne Miller	1,001,660
Denise Marshall-Miller/ Ajani Miller	25,000
Denise Marshall-Miller/ Azania Miller	25,000
Denise Marshall-Miller/Akil Parchment	25,000
Evette M. Bryan / Shulette Cox	400,000

VICTORIA MUTUAL INVESTMENTS LIMITED

**Shareholdings of Directors / Connected Parties
as at June 30, 2019**

NAME	SHAREHOLDINGS
Michael McMorris / Christine McMorris / Easton McMorris	5,841,759
Courtney Campbell / Pauline Campbell	1,800,000
Milton Samuda	-
Noel Hann	150,000
Phillip Silvera / Faye Silvera	372,816
Sandra Shirley	413,809
Devon Barrett	4,433,590
Janice McKenley / Wilfred McKenley	960,000
Matthew Gray Wright	677,252
Rezworth Burchenson/Valerie Burchenson	6,577,830
Valerie Burchenson	249,952
Lloyd C. Bramwell	30,404
Rachelle Burchenson	75,000
Oswald Burchenson	212,147