



VICTORIA MUTUAL
Investments
LIMITED


INTERIM CONSOLIDATED FINANCIAL STATEMENTS


FIRST QUARTER ENDED MARCH 31, 2018

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Financial Position
March 31, 2018

	March 31, 2018	March 31, 2017	December 31, 2017
	\$'000	\$'000*	Audited \$'000*
ASSETS			
Cash and cash equivalents	1,806,709	224,585	3,409,989
Resale agreements	3,044,440	1,996,384	3,371,409
Investment securities	12,338,069	12,632,538	11,683,640
Accounts receivable:			
- Customers	619,863	228,450	503,037
- Other	910,361	557,607	761,160
Income tax recoverable	5,626	2,691	2,825
Deferred tax asset	105,552	104,992	79,860
Property, plant and equipment	24,853	22,381	23,040
Intangible assets	232,850	97,838	233,494
TOTAL ASSETS	19,088,323	15,867,466	20,068,454
LIABILITIES AND EQUITY			
Liabilities:			
Due to parent company	-	510	1,819
Borrowings	1,506,086	-	506,109
Accounts payable:			
- Customers	646,547	97,734	3,204,548
- Brokers	13,331	73,701	69,595
- Other	809,677	232,619	428,845
Repurchase agreements	13,544,839	13,679,366	13,164,960
Income tax payable	-	15,932	58,997
Deferred tax liability	159	12	159
Preference shares	-	12,000	-
Employee benefit obligation	49,400	38,400	49,400
TOTAL LIABILITIES	16,570,039	14,150,274	17,484,432
Equity:			
Share capital	707,887	24,000	707,887
Non-controlling interest	50,000	50,000	50,000
Share premium	24,000	24,000	24,000
Investment revaluation reserve	148,775	94,617	201,581
Other reserves	(9,933)	(6,600)	(9,933)
Retained earnings	1,597,555	1,531,175	1,610,487
TOTAL EQUITY	2,518,284	1,717,192	2,584,022
TOTAL EQUITY AND LIABILITIES	19,088,323	15,867,466	20,068,454

Approved for issue by the Board of Directors on May 14, 2018 and signed on its behalf by:


 _____ Director
 Phillip Silvera


 _____ Director
 Devon Barrett

*The group has initially applied IFRS 9 as at January 1, 2018. Under the transition methods chosen, comparative information is not restated.

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Three Months ended March 31, 2018

	March 31, 2018	March 31, 2017
	\$'000	\$'000*
Interest income	180,926	185,844
Interest expense	(114,723)	(115,962)
Net interest income	66,203	69,882
Gains from investment activities	11,380	42,074
Net fees and commissions	199,713	122,313
Other income	7,938	1,516
Other operating revenue	219,031	165,903
Net interest income and other operating revenue	285,234	235,785
Staff costs	(82,164)	(66,985)
Other operating costs	(102,094)	(79,349)
	(184,258)	(146,334)
Profit before income tax	100,976	89,451
Income tax	(22,275)	(22,624)
Profit for the period	78,701	66,827
Other Comprehensive Income:		
Items that will never be reclassified to profit or loss:		
Net losses on equity investments designated at fair value through other comprehensive income (FVOCI)	(24,990)	-
	(24,990)	-
Items that may be reclassified to profit or loss:		
Change in fair value of investment securities	(41,724)	22,689
Deferred tax on change in fair value of investment securities	13,908	11,986
	(27,816)	34,675
Total other comprehensive (loss)/income net of tax	(52,806)	34,675
Profit, being total comprehensive income for the period	25,895	101,502
Basic earnings per share (expressed in \$ per share)	\$ <u>0.05</u>	\$ <u>0.06</u>

*The group has initially applied IFRS 9 as at January 1, 2018. Under the transition methods chosen, comparative information is not restated.

VICTORIA MUTUAL INVESTMENTS LIMITED
Consolidated Statement of Changes in Equity
Three Months ended March 31, 2018

	<u>Share capital</u>	<u>Share premium</u>	<u>Investment revaluation reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non- controlling interest</u>	<u>Total equity</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balances as at December 31, 2016	24,000	24,000	59,942	(6,600)	1,464,348	1,565,690	50,000	1,615,690
Total comprehensive income:								
Profit for the period	-	-	-	-	66,827	66,827	-	66,827
Other comprehensive loss:								
Change in fair value of investment securities, net of deferred tax	-	-	34,675	-	-	34,675	-	34,675
Total comprehensive income for the period	-	-	34,675	-	66,827	101,502	-	101,502
Balances as at March 31, 2017	24,000	24,000	94,617	(6,600)	1,531,175	1,667,192	50,000	1,717,192
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	-	-	-	-	78,701	78,701	-	78,701
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	(27,816)	-	-	(27,816)	-	(27,816)
Net losses on equity instruments designated at fair value	-	-	(24,990)	-	-	(24,990)	-	(24,990)
Total other comprehensive loss for the period	-	-	(52,806)	-	-	(52,806)	-	(52,806)
Total comprehensive income for the period	-	-	(52,806)	-	78,701	25,895	-	25,895
Transaction with shareholders:								
Dividends	-	-	-	-	(30,001)	(30,001)	-	(30,001)
Balances as at March 31, 2018	707,887	24,000	148,775	(9,933)	1,597,555	2,468,284	50,000	2,518,284

VICTORIA MUTUAL INVESTMENTS LIMITED

Consolidated Statement of Cash Flows

Three months ended March 31, 2018

	March 31, 2018	March 31, 2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	78,701	66,827
Adjustments for items not involving cash:		
Depreciation of property, plant & equipment	1,684	1,891
Amortisation of intangible assets	644	1,835
Impairment loss on investments	2,473	-
Impairment loss on margin loans	206	-
Interest income	(180,926)	(185,844)
Interest expense	114,723	115,962
Income tax expense	22,275	22,625
Gains from investment activities	(9,575)	(34,298)
Unrealised exchange gains	(4,522)	(545)
Fair value gains on securities at fair value through profit or loss	(4,278)	(7,776)
Operating profit/(loss) before changes in other assets and liabilities:	21,405	(19,323)
Changes in operating assets and liabilities:		
Resale agreements	336,126	(13,655)
Receivable from customers	(114,121)	(209,722)
Due from subsidiary	(241,392)	552
Due from fellow subsidiary	-	(219)
Accounts receivable - other	(177,465)	55,897
Repurchase agreements	301,437	(272,357)
Payable to customers	(2,563,423)	(123,838)
Payable to brokers	(11,035)	(114,889)
Accounts payable - other	582,476	(177,087)
	(1,865,992)	(874,641)
Interest and dividends received	234,168	209,323
Interest paid	(123,029)	(104,990)
Income tax paid	(95,857)	(30)
Net cash used in operating activities	(1,850,710)	(770,338)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(3,497)	(786)
Acquisition of intangible assets	-	(879)
Investment securities, net movement	(723,446)	498,811
Net cash (used in)/ provided by investing activities	(726,943)	497,146
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	999,978	-
Redemption of shares	-	180,550
Dividend paid	(30,001)	-
Net cash provided by financing activities	969,977	180,550
Decrease in net cash and cash equivalents	(1,607,676)	(92,642)
Net cash and cash equivalents at beginning of period	3,409,988	316,976
Effect of exchange rate changes on cash and cash equivalents	4,397	251
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,806,709	224,585

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Consolidated Financial Statements

March 31, 2018

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 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 interest and dividend income.

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 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, 2017 (“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.

This is the first set of the group’s financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in note 4.

These interim financial statements are presented in Jamaican 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, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9 which are described in note 4.

VICTORIA MUTUAL INVESTMENTS LIMITED**Notes to the Consolidated Financial Statements**
March 31, 2018

4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended December 31, 2017. The changes in accounting policies are also expected to be reflected in the group's consolidated financial statements as at and for the year ending December 31, 2018.

Certain other new and amended standards are effective from January 1, 2018 but they do not have a material effect on the group's financial statements.

The group has initially adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from January 1, 2018. The effect of initially applying these standards is mainly attributed to an increase in impairment losses recognized on financial assets.

(a) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Management has assessed that the main impact of the standard is in respect of fees and commission income. The group earns fees and commission income on provision of brokerage activities, corporate advisory and portfolio management services and unit trust management. Based on management's review, IFRS 15 will not have a material impact on the timing and recognition of fees and commission income, therefore no adjustments have been attributed to IFRS 15 in these interim financial statements.

(b) IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available for sale.

(i) Classification and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt instruments; FVOCI – equity; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

VICTORIA MUTUAL INVESTMENTS LIMITED

Notes to the Consolidated Financial Statements
March 31, 2018

4. Changes in significant accounting policies (continued)

(b) IFRS 9 *Financial Instruments* (continued)

(i) Classification and measurement (continued)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

A debt investment is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms gives rise on specified dates to cash flows that are solely payments of principal and interest.

On initial recognition of an equity investment that is not held for trading, the group irrevocably elects, on an investment-by-investment basis, to present subsequent changes in the investment's fair value in OCI. All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

There was no effect on the measurement amounts of financial instruments as at January 1, 2018, consequent on the adoption of IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL model). The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI, but not to investments in equity instruments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- (i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- (ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

The group has determined that the application of IFRS 9 impairment requirements at January 1, 2018 results in impairment allowance of \$61,631,500 on financial assets as follows:

Investment securities	61,388,165
Margin loans	<u>243,335</u>
	<u>\$61,631,500</u>

VICTORIA MUTUAL INVESTMENTS LIMITED**Notes to the Consolidated Financial Statements (Continued)**
March 31, 2018

5. 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.

6. Borrowings

On March 29, 2018, the company issued an unsecured bond for \$1,000,000,000. The bond is repayable by March 9, 2023. The bond is to be repaid by a lump sum payment and attracts a fixed interest rate of 7.75% per annum for the first two years and thereafter a variable rate of 2.50 percentage points above the weighted average yield rate applicable to the six month Jamaica Treasury Bill Tender (WATBY), held immediately prior to the commencement of each quarterly interest period, until maturity.

7. Dividends

At the Board of Directors meeting held on February 26, 2018, a resolution was passed approving the payment of an interim dividend of \$0.02 per share amounting to \$30,000,500, and was paid on March 23, 2018 to shareholders on record as at March 9, 2018.

VICTORIA MUTUAL INVESTMENTS LIMITED
Top Ten Largest Shareholders as at March 31, 2018

RANK	NAME	TOTAL SHARES HELD
1.	The Victoria Mutual Building Society	1,200,020,000
2.	PAM – University Hospital Scheme of Pensions	7,560,600
3.	Rezworth Burchenson & Valerie Burchenson	6,577,830
4.	Michael McMorris & Christine McMorris	5,736,124
5.	Devon D. Barrett	5,719,518
6.	Rickardo Ebanks	4,964,503
7.	VM Wealth Equity Fund	4,791,347
8.	PAM – Pooled Equity Fund	4,132,019
9.	Guardian Life Limited	3,324,567
10.	Peter Jonathan Reid	3,000,000

VICTORIA MUTUAL INVESTMENTS LIMITED
Shareholdings of Senior Managers / Connected Parties
as at March 31, 2018

NAME	SHAREHOLDINGS
Devon D. Barrett	5,719,518
Rezworth Burchenson	6,577,830
Valerie Burchenson / Rezworth Burchenson	249,952
Lloydon Bramwell / Rezworth Burchenson	30,404
Colando Hutchinson / Frances Hutchinson	2,240,973
Karlene Mullings / Clive Mullings	80,000
Winston George Jr McKane / Karlene Mullings	5,000
Kellia McKane / Karlene Mullings	5,000
Nicole Adamson	224,000
Denise Marshall Miller / Wayne Miller	1,001,660
Ajani Miller / Denise Marshall Miller	25,000
Azania Uzoma Miller / Denise Marshall Miller	25,000
Akil Parchment / Denise Marshall Miller	25,000
Evette M. Bryan / Shulette Cox	400,000

VICTORIA MUTUAL INVESTMENTS LIMITED

**Shareholdings of Directors / Connected Parties
as at March 31, 2018**

NAME	SHAREHOLDINGS
Michael McMorris / Christine McMorris	5,736,124
Courtney Campbell / Pauline Campbell	1,800,000
Milton Samuda	-
Noel Hann	150,000
Phillip Silvera / Faye Silvera	245,816
Sandra Shirley	413,809
Devon Barrett	5,719,518
Janice McKenley / Wilfred McKenley	960,000
Matthew Gray Wright	677,252