VM INVESTMENTS LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2023

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
VM INVESTMENTS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VM Investments Limited ("the company") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiary ("the group"), set out on pages 8 to 110, 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 equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at December 31, 2023, and of the group's and 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Members of
VM INVESTMENTS LIMITED

Report on the Audit of the Financial Statements (Continued)

Emphasis of Matter

We draw attention to:

1. Note 35 to the financial statements which indicates that the comparative information presented for the financial year as at and for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

2. Note 17(i) of the consolidated financial statements, which describes that the Group breached the Return on Asset ratio and Interest Coverage ratio for the fixed and variable corporate bonds in issue, resulting in the outstanding bonds becoming payable immediately. Subsequent to the reporting date, the group was able to attain the minimum requirements for the financial covenants and immediate repayment is no longer required. Our opinion is not modified in respect of this matter.

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 level 3 investments**

The key audit matter [see notes 6 and 29]	How the matter was addressed in our audit
A significant portion of the group's and the company's investments are classified as level 3 measurements. These investment securities measured at fair value are instruments for which quoted prices are not available. Valuation of these investments uses unobservable inputs which requires significant estimation uncertainties.	Our procedures in this area included the following: • Assessing the reasonableness of significant assumptions and suitability of the valuation models used by the group and the company. • 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 INVESTMENTS LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

2. **Investment in associate**

The key audit matter [see note7]	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 and the company holds 23% involves some judgement. During the year, the carrying value was re-measured and consequently the provisional values previously reported were updated. There is a risk that the values as determined in the purchase price allocation may not be appropriate and/or impaired.	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. • Comparing the group's assumptions to externally derived data as well as our assessment of key inputs such as discount rate. • Assessing the adequacy of the disclosures, including the re-measurement of the carrying value of the investment.

To the Members of
VM INVESTMENTS LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Information

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

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

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

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

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

Management is responsible for the preparation 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
VM INVESTMENTS LIMITED

Report on the Audit of the Financial Statements (Continued)

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 6-7, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

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

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

The engagement partner on the audit resulting in this independent auditors' report is Damion Reid.

KPMG

Chartered Accountants
Kingston, Jamaica

May 20, 2024

To the Members of
VM INVESTMENTS LIMITED

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 INVESTMENTS 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 INVESTMENTS LIMITED

Consolidated Statement of Financial Position
December 31, 2023

	Notes	2023 $'000	2022 $'000 Restated*	2021 $'000 Restated*
ASSETS				
Cash and cash equivalents	4	877,655	1,192,249	763,557
Resale agreements	5	1,570,685	752,147	4,051,332
Investment securities	6	18,276,764	17,560,235	20,399,811
Net investment in finance leases	18(b)	92,727	131,462	155,836
Loans receivable	9	4,651,668	5,467,380	3,482,266
Accounts receivable:				
Customers	10	46,336	84,172	48,279
Others	10	437,810	600,678	493,574
Income tax recoverable		267,112	-	-
Deferred tax asset	11	1,220,314	1,140,709	438,670
Property, plant and equipment	12	109,594	136,085	908,198
Intangible asset – computer software	13	236,869	300,477	183,079
Interest in associates	7	1,719,260	1,576,198	-
TOTAL ASSETS		29,506,794	28,941,792	30,924,602
LIABILITIES AND EQUITY				
Liabilities:				
Due to ultimate parent company	30(c)	124,362	-	-
Due to ultimate parent society	30(c)	-	441,722	216,040
Borrowings	17	8,657,029	7,494,118	5,521,964
Accounts payable:				
Customers	14	1,183,303	1,467,714	1,348,553
Brokers		176,930	68,724	20,414
Others	14	881,051	1,217,225	963,220
Lease liabilities	18(a)	54,961	66,345	76,650
Repurchase agreements	15	14,356,049	15,589,291	19,649,270
Income tax payable		-	88,781	39,216
Employee benefit obligation	16(b)(i)	22,900	19,300	32,700
TOTAL LIABILITIES		25,456,585	26,453,220	27,868,027
Equity:				
Share capital	19	707,887	707,887	707,887
Share premium	19(a)	24,000	24,000	24,000
Investment revaluation reserve	20(a)	(980,570)	(806,791)	488,333
Other reserve	20(b)	58,372	21,800	11,267
Retained earnings		2,690,520	2,491,676	1,775,088
Equity attributable to owners of the company		2,500,209	2,438,572	3,006,575
Non-controlling interest	21	1,550,000	50,000	50,000
TOTAL EQUITY		4,050,209	2,488,572	3,056,575
TOTAL EQUITY AND LIABILITIES		29,506,794	28,941,792	30,924,602

The financial statements on pages 8 to 110 were approved for issue by the Board of Directors on May 17, 2024 and signed on its behalf by:

_______________ Director

Courtney Campbell

_______________ Chief Executive Officer

Rezworth Burchenson

*See note 35

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

VM INVESTMENTS LIMITED

Company Statement of Financial Position
December 31, 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Cash and cash equivalents	4	101,332	216,608
Resale agreements	5	215,454	-
Investment securities	6	2,451,736	1,102,331
Net investment in finance leases	18(b)	92,727	131,462
Loans receivable	9	4,651,668	5,467,380
Accounts receivable:			
Others	10	107,775	143,629
Income tax recoverable		113,216	-
Deferred tax asset	11	61,723	16,573
Intangible asset – computer software	13	35,074	41,360
Interest in subsidiary	8	1,009,500	1,009,500
Interest in associates	7	1,719,260	1,576,198
TOTAL ASSETS		10,559,465	9,705,041
LIABILITIES AND EQUITY			
Liabilities:			
Due to ultimate parent society	30(c)	-	193,593
Due to subsidiary company	30(c)	122,538	110,805
Borrowings	17	8,569,092	7,406,181
Accounts payable:			
Others	14	362,797	826,347
Repurchase agreements	15	438,000	195,152
Income tax payable		-	59,922
TOTAL LIABILITIES		9,492,427	8,792,000
Equity:			
Share capital	19	707,887	707,887
Share premium	19(a)	24,000	24,000
Other reserve	20(b)(ii)	37,772	-
Retained earnings		297,379	181,154
TOTAL EQUITY		1,067,038	913,041
TOTAL EQUITY AND LIABILITIES		10,559,465	9,705,041

The financial statements on pages 8 to 110 were approved for issue by the Board of Directors on May 17, 2024 and signed on its behalf by:

Director | Chief Executive Officer

Courtney Campbell | Rezworth Burchenson

*See note 35

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

VM INVESTMENTS LIMITED

Income Statements
Year ended December 31, 2023

	Notes	Group 2023 $'000	Group 2022 $'000 Restated*	Company 2023 $'000	Company 2022 $'000
Interest income calculated using the effective interest method	22	1,510,059	1,399,914	687,295	453,270
Other interest income:					
Finance leases	22	8,889	11,711	8,889	11,711
Convertible preference shares	22	164,375	-	164,375	-
Other	22	11,592	-	4,288	-
Interest expense	22	(1,647,094)	(1,158,587)	(866,411)	(422,236)
Net interest income/(expense)		47,821	253,038	(1,564)	42,745
Fees and commissions income	24	944,933	1,011,760	71,699	35,940
Gains from investment activities	23	866,343	946,527	181,427	328,165
Rent		-	74,828	-	74,828
Dividend income		15,561	33,045	8,928	10,860
Other income		7,878	17,752	-	4,283
Other operating revenue		1,834,715	2,083,912	262,054	454,076
Net interest income and other operating revenue		1,882,536	2,336,950	260,490	496,821
Operating expenses					
Staff costs	25	(912,572)	(764,675)	-	-
Impairment (losses)/recoveries on financial assets	28(b)	(150,376)	120,326	(208,248)	(3,412)
Other operating costs	26	(810,701)	(756,325)	(165,652)	(232,941)
		(1,873,649)	(1,400,674)	(373,900)	(236,353)
Share of profits in associate	7	164,411	-	164,411	-
Profit before income tax		173,298	936,276	51,001	260,468
Income tax credit/(charge)	27	25,546	(219,688)	65,224	(7,023)
Profit for the year attributable to shareholders of the company		198,844	716,588	116,225	253,445
Earnings per share (expressed as ¢ per share)	32	13¢	48¢		

*See note 35

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

VM INVESTMENTS LIMITED

Statements of Comprehensive Income
Year ended December 31, 2023

	Notes	Group 2023 $'000	Group 2022 $'000 Restated*	Company 2023 $'000	Company 2022 $'000
Profit for the year		198,844	716,588	116,225	253,445
Other comprehensive income (OCI):					
Items that will never be classified to profit or loss:					
Net losses on investment in equity instruments designated at fair value through OCI	6	(298,350)	(64,770)	-	-
Remeasurement of employee benefit obligation	16(b)(i)	(1,800)	15,800	-	-
Deferred tax on remeasurement of employee benefit obligation	11	600	(5,267)	-	-
		(1,200)	10,533	-	-
		(299,550)	(54,237)	-	-
Item that may be reclassified to profit or loss:					
Currency translation adjustment on investment in associate	7, 20(b)(ii)	37,772	-	37,772	-
Change in fair value of debt securities at fair value through OCI, net of expected credit losses	29(c)	186,855	(1,845,531)	-	-
Deferred tax on change in fair value of investment securities measured at fair value through OCI	11	(62,284)	615,177	-	-
		124,571	(1,230,354)	-	-
Total other comprehensive (loss)/income net of tax		(137,207)	(1,284,591)	37,772	-
Total comprehensive income/(loss) for the year attributable to shareholders of the company		61,637	(568,003)	153,997	253,445

*See note 35

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

VM INVESTMENTS LIMITED

Consolidated Statement of Changes in Equity
Year ended December 31, 2023

	Attributions by owners of the company							
	Share capital [note (19)] $'000	Share premium $'000	Investment revaluation reserve [note 20(a)] $'000	Other reserve [note 20(b)] $'000	Retained earnings $'000	Total $'000	Non-controlling interest [note (21)] $'000	Total equity $'000
Balances at December 31, 2021, as previously reported	**707,887**	**24,000**	**488,333**	**11,267**	**2,397,736**	**3,629,223**	**50,000**	**3,679,223**
Prior year adjustments (note 35)	-	-	-	-	(622,648)	(622,648)	-	(622,648)
Balances at December 31, 2021, as restated	**707,887**	**24,000**	**488,333**	**11,267**	**1,775,088**	**3,006,575**	**-**	**3,056,575**
Comprehensive income:								
Profit for the year, as previously reported	-	-	-	-	641,616	641,616	-	641,616
Prior year adjustments (note 35)	-	-	-	-	74,972	74,972	-	74,972
Profit for the year, as restated	-	-	-	-	716,588	716,588	-	716,588
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	(1,230,354)	-	-	(1,230,354)	-	1,230,354)
Change in fair value of equities at FVOCI	-	-	(64,770)	-	-	(64,770)	-	(64,770)
Remeasurement of employee benefit obligation, net of deferred tax	-	-	-	10,533	-	10,533	-	10,533
Total other comprehensive loss	-	-	(1,295,124)	10,533	-	(1,284,591)	-	(1,284,591)
Total comprehensive loss for the year	-	-	(1,295,124)	10,533	716,588	(568,003)	-	(568,003)
Balances at December 31, 2022, as restated	**707,887**	**24,000**	**(806,791)**	**21,800**	**2,491,676**	**2,438,572**	**50,000**	**2,488,572**
Share issue [note 21(b)]	-	-	-	-	-	-	1,500,000	1,500,000
Comprehensive income:								
Profit for the year	-	-	-	-	198,844	198,844	-	198,844
Other comprehensive income:								
Currency translation adjustment on investment in associate	-	-	-	37,772	-	37,772	-	37,772
Change in fair value of investment securities, net of deferred tax	-	-	124,571	-	-	124,571	-	124,571
Change in fair value of equities at FVOCI	-	-	(298,350)	-	-	(298,350)	-	(298,350)
Remeasurement of employee benefit obligation, net of deferred tax	-	-	-	(1,200)	-	(1,200)	-	(1,200)
Total other comprehensive loss	-	-	(173,779)	36,572	-	(137,207)	-	(137,207)
Total comprehensive loss for the year	-	-	(173,779)	36,572	198,844	61,637	-	61,637
Balances at December 31, 2023	**707,887**	**24,000**	**(980,570)**	**58,372**	**2,690,520**	**2,500,209**	**1,550,000**	**4,050,209**

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

VM INVESTMENTS LIMITED

Company Statement of Changes in Equity
Year ended December 31, 2023

	Share capital (note 19) $'000	Share premium $'000	Other reserve (note 20(b) $'000	Retained earnings/ (accumulated deficit) $'000	Total $'000
Balance at December 31, 2021	**707,887**	**24,000**	**-**	**(72,291)**	**659,596**
Comprehensive income:					
Profit for the year, being total comprehensive income for the year	-	-	-	253,445	253,445
Balance at December 31, 2022	**707,887**	**24,000**	**-**	**181,154**	**913,041**
Profit for the year	-	-	-	116,225	116,225
Other comprehensive income:					
Currency translation adjustment on investment in associate	-	-	37,772	-	37,772
Total comprehensive profit for the year	-	-	37,772	116,225	153,997
Balance at December 31, 2023	**707,887**	**24,000**	**37,772**	**297,379**	**1,067,038**

VM INVESTMENTS LIMITED

Statements of Cash Flows
Year ended December 31, 2023

	Notes	Group 2023 $'000	Group 2022 $'000 Restated*	Company 2023 $'000	Company 2022 $'000
Cash flows from operating activities:					
Profit for the year		198,844	716,588	116,225	253,445
Adjustments for:					
Depreciation	12	27,331	36,590	-	8,645
Amortisation of intangible asset	13	76,096	52,820	6,286	515
Share of profits in associate	7	(164,411)	-	(164,411)	
Impairment losses/(gains) on financial assets		150,376	(120,326)	208,248	3,412
Change in employee benefit obligation	16(b)(ii)	1,800	2,400	-	-
Amortisation of transaction costs		77,961	25,766	77,961	25,766
Unrealised exchange gains on foreign currency balances		(46,606)	(13,425)	(5,496)	(1,706)
Gains from investment activities		(951,906)	(711,070)	(266,990)	(92,708)
Gain from property/share swap		-	(235,457)	-	(235,457)
Interest income	22	(1,694,915)	(1,411,625)	(864,847)	(464,981)
Dividend income		(15,561)	(33,045)	(8,928)	(10,860)
Interest expense	22	1,640,972	1,151,386	866,411	422,236
Interest expense on lease liabilities	18(a)	6,122	7,201	-	-
Income tax (credit)/charge	27	(25,546)	219,688	(65,225)	7,023
		(719,443)	(312,509)	(100,766)	(84,670)
Changes in operating assets and liabilities:					
Due to ultimate parent company		(317,360)	-	(193,593)	-
Due to ultimate parent society		-	71,455	-	71,455
Due to subsidiary company		-	-	11,733	(304,787)
Loans receivable		608,251	(2,011,900)	608,251	(2,011,900)
Resale agreements		(809,380)	3,291,174	(215,454)	692,631
Accounts receivable		192,996	(522,077)	34,057	(70,959)
Accounts payable		(522,173)	1,029,773	(444,576)	233,880
Repurchase agreements		(1,413,873)	(3,856,321)	242,848	-
		(2,980,982)	(2,310,405)	57,500	(1,474,350)
Interest received		1,973,940	1,690,089	785,510	485,678
Interest paid		(1,649,666)	(1,136,639)	(885,785)	(422,553)
Income tax paid		(391,428)	(263,251)	(72,855)	(9,752)
Net cash used in operating activities		(3,048,136)	(2,020,206)	(230,630)	(1,420,977)
Cash flows from investing activities:					
Acquisition of property, plant and equipment	12	(840)	(3,553)	-	(2,020)
Acquisition of intangible asset	13	(12,488)	(170,218)	-	(41,875)
Investment in finance leases		-	(20,641)	-	(20,641)
Proceeds from finance lease repayments		41,000	45,782	41,000	45,782
Purchase of investment securities		(41,414,672)	(7,168,629)	(2,087,831)	(1,978,044)
Proceeds from sale of investment securities		41,462,858	7,842,110	1,006,602	2,525,868
Investment in subsidiary	8	-	-	-	(900,000)
Investment in associated company	7	-	(25,229)	-	(25,229)
Dividends received		77,251	33,045	70,617	10,860
Net cash provided by/(used in) investing activities		153,109	532,667	(969,612)	(385,299)
Cash flow from financing activities:					
Proceeds from issue of shares		1,500,000	-	-	-
Proceeds from loans and borrowings	17	6,630,358	2,381,805	6,630,358	2,346,577
Repayment of loans and borrowings	17	(5,411,905)	(426,880)	(5,411,905)	(426,880)
Transaction costs incurred on loans and borrowings	17	(133,503)	(8,537)	(133,503)	(8,537)
Payment of lease liabilities	18(a)	(11,384)	(10,305)	-	-
Net cash provided by financing activities		2,573,566	1,936,083	1,084,950	1,911,160
Net (decrease)/increase in cash and cash equivalents		(321,461)	448,544	(115,292)	104,884
Cash and cash equivalents at beginning of year		1,192,249	763,557	216,608	114,443
Effect of exchange rate fluctuations on cash and cash equivalents held		6,867	(19,852)	16	(2,719)
Cash and cash equivalents at end of year	4	877,655	1,192,249	101,332	216,608

*See note 35

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

VM INVESTMENTS LIMITED

Notes to the Financial Statements
Year ended December 31, 2023

1. Identification

VM Investments Limited ("the company") is incorporated and domiciled in Jamaica. The company's registered office is located at 8-10 Duke Street, Kingston, Jamaica. Under an approved Scheme of Arrangement for the restructuring of the Victoria Mutual Building Society (former parent society) and its subsidiaries, a new mutual holding company, VM Group Limited, along with a new financial holding company, VM Financial Group Limited, were incorporated on February 1, 2023. Effectively, this meant that VM Group Limited became the new ultimate parent company and VM Financial Group Limited became the immediate parent company. Both the parent company and the ultimate parent company are domiciled in Jamaica.

The VM Group Limited is wholly owned by its Members and is the parent to VM Financial Group Limited.

VM Financial Group Limited is license under the Banking Services Act (2014) as the financial holding company for all the companies in the VM Group that offer financial services, including VM Investments Limited.

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

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

The company's activities are administered by its subsidiary company. The company's income during the year was mainly interest, gains from investment activities, fees and commission and dividend income.

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

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

Effective December 30, 2022, the company acquired a 23% interest in Kingston Properties Limited (KPREIT), a company incorporated and domiciled in Jamaica that invests in real estate assets.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board, and comply with the Jamaican Companies Act ("the Act").

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

New and amended standards that became effective during the year:

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

  The key amendments to IAS 1 include:

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

  The amendments are consistent with the refined definition of material:

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

  The group 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 34).

- 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

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

New and amended standards that became effective during the year (continued):

- Amendments to IAS 8 (continued)

  Developing an accounting estimate includes both (continued):

  - 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 group adopted Amendments to IAS 12 *Income Taxes* 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. The amendments did not result in any changes to accounting policies themselves (note 34). Instead, the key impact for the group relates to disclosure of the deferred tax assets and liabilities recognised (note 11).

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

New and amended standards issued but not yet effective:

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

- Amendments to IAS 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.

- Amendments to IAS 1 *Presentation of Financial Statements* apply retrospectively for annual reporting periods beginning on or after January1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The amendments require new disclosures for non-current liabilities that are subject to future covenants.

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, is effective for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied).

  IFRS S1 requires an entity to disclose information about its sustainability-related risks and opportunities that are useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity. The standard also requires entities to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

  IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures and sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to IFRS S1 (continued)

  Under the standard, entities are required to provide disclosures about the governance processes, controls and procedures, strategies and processes the entity uses to monitor, manage and oversee sustainability-related risks and opportunities, as well as, the entities performance and progress towards any targets the entity has set or is required to meet by law or regulation.

- IFRS S2 *Climate-related Disclosures*, is effective for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted as long as IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* is also applied).

  IFRS S2 requires entities to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity. The standard also requires entities to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects). IFRS S2 applies to climate-related physical risks; climate-related transition risks; and climate-related opportunities available to an entity.

  IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities. Under the standard, entities are required to provide disclosures about the governance processes, controls and procedures, strategies and processes the entity uses to monitor, manage and oversee climate-related risks and opportunities, as well as, the entities performance and progress towards any targets the entity has set or is required to meet by law or regulation.

- 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.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to IFRS 18 (continued)

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.

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 amendments 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), measured at fair value.

(ii) Equity securities at fair value through profit or loss (FVTPL), measured at fair value.

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

(iv) Post-employment medical benefit obligation measured at the present value of the obligation as set out in note 3(f)(iii).

2. Basis of preparation (continued)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

The estimates, and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Except as otherwise stated below, there are no judgements, estimate and assumptions made by management in the application of IFRS that may have a significant effect on the financial statements and significant estimate with a significant risk of material adjustment in the next financial year.

Key assumptions and other sources of estimation uncertainty:

(1) Impairment of the carrying value of interest in associate

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

(2) Fair value of financial instruments

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices. In the absence of quoted market prices, the fair value of a significant proportion of the group's financial assets are determined using fair value models. Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimate arrived at may be significantly different from the actual price of the instrument in arm's length transaction. (note 29).

3. Material accounting policies

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

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 34).

3. Material accounting policies (continued)

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

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

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

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

(i) Recognition and initial measurement

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

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

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

(ii) Classification and subsequent remeasurement

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

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

Financial assets

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

(a) Debt instruments

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.

3. Material accounting policies (continued)

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

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

(a) Debt instruments (continued)

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

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at [note 3(a)(vi)]. Interest income from these financial assets is included in 'Interest income' calculated using the effective interest method.

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured a fair value through other comprehensive income (FVOCI). Interest income from these financial assets is included in 'interest income' calculated using the effective interest method.

- *Business model:* the business model reflects how the group manages the assets in order to generate cash flows. That is, whether the group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

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

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

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

3. Material accounting policies (continued)

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

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

(a) Debt instruments (continued)

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

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

(b) Equity instruments

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

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

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

Deferred shares are measured at fair value on initial recognition and subsequently at amortised cost.

3. Material accounting policies (continued)

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

(ii) Classification and subsequent remeasurement (continued)

Financial liabilities

Financial liabilities are classified as and subsequently measured at amortised cost.

(iii) Derecognition

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

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. For debt instruments, any cumulative gains or losses that had been recognized in other comprehensive income are recycled through the income statement.

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

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

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

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

3. Material accounting policies (continued)

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

(iii) Derecognition (continued)

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

(iv) Measurement and gains and losses

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

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

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

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

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

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

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

3. Material accounting policies (continued)

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

(iv) Measurement and gains and losses (continued)

Specific financial instruments

(1) Derivatives

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

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

(2) Cash and cash equivalents

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

(3) Resale and repurchase agreements

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

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

3. Material accounting policies (continued)

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

(iv) Measurement and gains and losses (continued)

(3) Resale and repurchase agreements (continued)

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

(4) Accounts receivable

Accounts receivable are measured at amortised cost less impairment losses. Withholding taxes deducted and withheld from source of income such as dividends and/or interest income is measured at amortised cost. General consumption taxes (GCT) which are value added taxes in the local jurisdiction are recoverable from tax authorities and deducted from amounts payable. Withholding taxes and GCT payable or recoverable are measured at amortised cost.

(5) Share capital

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

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

(6) Accounts payable

Accounts payable are measured at amortised cost.

(v) Offsetting

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

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

3. Material accounting policies (continued)

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

(vi) Impairment

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

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

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

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

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

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

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

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

3. Material accounting policies (continued)

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

(vi) Impairment (continued)

Measurement of ECL

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

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

3. Material accounting policies (continued)

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

(vi) Impairment (continued)

Credit-impaired financial assets (continued)

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

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

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

3. Material accounting policies (continued)

(b) Investment in associates

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

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

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

(c) Foreign currencies

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

(d) Property, plant and equipment

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

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

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

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

Computers	5 years
Furniture and fixtures	10 years
Leasehold improvements	5 years
Right-of-use assets (leasehold properties)	7-10 years
Buildings	40 years

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

3. Material accounting policies (continued)

(e) Intangible asset – computer software and amortisation

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

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

(f) Employee benefits

(i) General benefits

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

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

(ii) Defined-benefit pensions

The subsidiary company is a participating employer in a group defined-benefit pension plan operated by a related party. The related party is directly responsible for any deficit in the plan. Additionally, all residual interest in the scheme belongs to the related party. 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.

The subsidiary company also participates in a defined contribution plan [see note 16(a)]. Pension contributions are expensed as they become due.

3. Material accounting policies (continued)

(f) Employee benefits (continued)

(iii) Employee medical benefits

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

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

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

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

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

(g) Income tax

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

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

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

3. Material accounting policies (continued)

(g) Income tax (continued)

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

(h) Impairment of non-financial assets

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

The recoverable amount of non-financial assets is the greater of its value in use and its fair value less costs to sell.

Impairment losses are recognised in the income statement.

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

(i) Leases

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

(a) As a lessee

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

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

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

3. Material accounting policies (continued)

(i) Leases (continued)

(a) As a lessee (continued)

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.

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

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

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

– fixed payments, including 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 company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

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

3. Material accounting policies (continued)

(i) Leases (continued)

(a) As a lessee (continued)

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

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

Short-term leases

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

(b) As a lessor

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

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

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

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

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

(j) Interest

(i) Effective interest rate

Interest income and expenses are recognised in profit or loss using the effective interest method.

3. Material accounting policies (continued)

(j) Interest (continued)

(i) Effective interest rate (continued)

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

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

(ii) Presentation

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

(k) Gain or loss from trading and holding securities

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

(l) Dividend income

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

(m) Fee and commission income

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

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

3. Material accounting policies (continued)

(m) Fee and commission income (continued)

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

4. Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	$’000	$’000	$’000	$’000
Bank accounts	857,988	1,176,733	101,332	216,608
Accounts with brokers	19,667	15,516	-	-
	877,655	1,192,249	101,332	216,608

5. Resale agreements

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

	Group	
	2023	2022
	$’000	$’000
Denominated in Jamaica dollars	1,135,000	329,000
Denominated in United States dollars [US$2,827,519 (2022: US$2,804,993)]	436,196	423,577
	1,571,196	752,577
Less allowance for expected credit losses [note 28(b)(iv)(d)]	(511)	(430)
	1,570,685	752,147

	Company	
	2023	2022
	$’000	$’000
Denominated in Jamaica dollars	215,454	-
Less allowance for expected credit losses [note 28(b)(iv)(d)]	-	-
	215,454	-

Under collateralised resale agreements, the group obtains securities as collateral on terms which permit it to re-pledge or resell them to others under repurchase agreements as set out in note 14. At December 31, 2023, securities that the group and company held under repurchase arrangements had a fair value of $1,897,407,000 (2022: $1,052,283,000) and $228,928,000 (2022: $nil), respectively.

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

6. Investment securities

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:				
Unquoted equities	77,280	81,250	77,280	77,182
Quoted equities	347,044	349,628	346,087	348,931
Convertible preference shares	1,163,244	-	1,163,244	-
Unit trusts:				
Unit Trusts	227,953	-	-	-
	1,815,521	430,878	1,586,611	426,113
Amortised cost:				
Deferred shares	-	410,647	-	410,647
Corporate bonds	766,080	62,466	766,080	62,466
Bank of Jamaica securities:				
J$ Certificates of deposit	50,000	-	50,000	-
Government of Jamaica securities:				
Benchmark investment notes	63,478	63,478	63,478	63,478
US$ bonds [US$Nil (2022: US$1,000,000]	-	151,008	-	151,008
	879,558	687,599	879,558	687,599
At fair value through other comprehensive income				
Quoted equities	510,000	808,350	-	-
Government of Jamaica securities:				
Treasury bills	-	2,003	-	-
Benchmark investment notes	5,446,669	5,617,917	-	-
US$ bonds [US$43,743,425 (2022: US$48,269,281)]	6,748,215	7,289,057	-	-
	12,194,884	12,908,977	-	-
Bank of Jamaica securities:				
J$ Certificates of deposit	306,873	-	-	-
Foreign government securities:				
US$ bonds [US$5,842,822 (2022: US$5,631,596)]	901,361	850,417	-	-
Other public sector securities [US$1,308,631 (2022: US$2,631,043)]	201,880	397,309	-	-
Corporate bonds				
[US$4,084,921 (2022: US$4,084,921)]	630,173	908,965	-	-
J$ Corporate bond	850,947	579,121	-	-
	1,481,120	1,488,086	-	-
	15,596,118	16,453,139	-	-
	18,291,197	17,571,616	2,466,169	1,113,712
Less allowance for impairment on instruments at amortised cost [note 28(b)(v)(d)]	(14,433)	(11,381)	(14,433)	(11,381)
	18,276,764	17,560,235	2,451,736	1,102,331
Allowance for impairment on investments at FVOCI [note 28(b)(v)(d)]	30,200	77,832	-	-

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

6. Investment securities (continued)

Investment securities mature (exclude allowance for impairment), in relation to the reporting date, as follows:

	Group 2023					
	Within 3 month	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:						
Unquoted equities	-	-	-	-	77,280	77,280
Quoted equities	-	-	-	-	347,044	347,044
Convertible preference shares	-	-	-	-	1,163,244	1,163,244
Unit trusts	-	-	-	-	227,953	227,953
	-	-	-	-	1,815,521	1,815,521
At amortised cost:						
Corporate bonds	-	-	435,000	331,080	-	766,080
Bank of Jamaica securities	-	50,000	-	-	-	50,000
Benchmark investment notes	-	-	63,478	-	-	63,478
	-	50,000	498,478	331,080	-	879,558
At FVOCI:						
Quoted equities	-	-	-	-	510,000	510,000
	-	-	-	-	510,000	510,000
Debt instruments:						
BOJ securities	306,873	-	-	-	-	306,873
Benchmark investment notes	311,207	-	1,288,875	3,846,587	-	5,446,669
US$ bonds	-	-	2,755,763	3,992,452	-	6,748,215
Foreign government securities	-	-	448,585	452,776	-	901,361
Other public sector securities	-	178,180	23,700	-	-	201,880
Corporate bonds	-	-	850,947	630,173	-	1,481,120
	618,080	178,180	5,367,870	8,921,988	-	15,086,118
	618,080	638,827	5,866,348	9,253,068	2,325,521	18,291,197

	Group 2022					
	Within 3 month	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:						
Unquoted equities	-	-	-	-	81,250	81,250
Quoted equities	-	-	-	-	349,628	349,628
	-	-	-	-	430,878	430,878
At amortised cost:						
Deferred shares	-	410,647	-	-	-	410,647
Corporate bonds	-	-	-	62,466	-	62,466
Benchmark investment notes	-	-	63,478	-	-	63,478
US$ bonds	-	151,008	-	-	-	151,008
	-	561,655	63,478	62,466	-	687,599
At FVOCI:						
Quoted equities	-	-	-	-	808,350	808,350
Debt instruments:						
Benchmark investment notes	400,775	-	1,364,544	3,852,598	-	5,617,917
Treasury bills	2,003		-	-	-	2,003
US$ bonds	-	-	1,160,145	6,128,912	-	7,289,057
Foreign government securities	-	-	372,801	477,616	-	850,417
Other public sector securities	-	-	397,309	-	-	397,309
Corporate bonds	554,298	99,524	255,142	579,122	-	1,488,086
	957,076	99,524	3,549,941	11,038,248	-	15,644,789
	957,076	661,179	3,613,419	11,100,714	1,239,228	17,571,616

6. Investment securities (continued)

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

	Company 2023				
	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:					
Unquoted equities	-	-	-	77,280	77,280
Quoted equities	-	-	-	346,087	346,087
Convertible preference shares	-	-	-	1,163,244	1,163,244
	-	-	-	1,586,611	1,586,611
At amortised cost:					
Corporate bonds	-	435,000	331,080	-	766,080
Bank of Jamaica securities	50,000	-	-	-	50,000
Benchmark investment notes	-	63,478	-	-	63,478
	50,000	498,478	331,080	-	879,558
	50,000	498,478	331,080	1,586,611	2,466,169

	Company 2022				
	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:					
Unquoted equities	-	-	-	77,182	77,182
Quoted equities	-	-	-	348,931	348,931
	-	-	-	426,113	426,113
At amortised cost:					
Deferred shares	410,647	-	-	-	410,647
Corporate bonds	-	-	62,466	-	62,466
Benchmark investment notes	-	63,478	-	-	63,478
US$ bonds	151,008	-	-	-	151,008
	561,655	63,478	-	-	687,599
	561,655	63,478	62,466	426,173	1,113,712

Certain Bank of Jamaica, Government of Jamaica and foreign government securities are pledged as collateral for repurchase agreements (see note 15).

Government of Jamaica securities having an aggregate face value of $36,000,000 (2022: $32,000,000) have been pledged as collateral against possible overdrafts and uncleared effects at one of the subsidiary company's bankers. The fair value of the securities is $36,000,000 (2022: $32,018,794).

6. Investment securities (continued)

Equity investment securities designated 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 year	808,350	873,120	-	-
Net fair value losses recognised during the year	(298,350)	(64,770)	-	22,185
At end of year	510,000	808,350	-	22,185

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

Debt instruments designated at FVOCI

The following table shows the movement in the gross carrying value of debt instruments designated at FVOCI:

	Group	
	2023 $'000	2022 $'000
Balance at beginning of year	15,644,789	17,400,665
New debt instruments originated or purchased	39,335,842	5,190,585
Debt instruments derecognised	(39,989,142)	(4,702,606)
Purchased premiums amortised	(332,973)	(256,370)
Fair value gains/(losses) recognised during the year	226,575	(1,821,635)
Effect of changes in foreign exchange rates	201,027	(165,850)
Balance at end of year	15,086,118	15,644,789

7. Interest in associates

	Group and Company	
	2023 $'000	2022 $'000 restated
Carrying amount of interest in associates:		
Carilend Caribbean Holdings Ltd.	-	-
Kingston Properties Limited (KPREIT)	1,719,260	1,576,198
	1,719,260	1,576,198

7. Interest in associates (continued)

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

The following table summarises the financial information of Carilend as included in its own unaudited financial statements as at and for the year ended December 31, 2023 adjusted for fair value adjustments. The financial statements of Carilend are denominated in United States dollars.

	Group and Company	
	2023	**2022**
	$'000	**$'000**
Percentage ownership interest in Carilend	30%	30%
Non-current assets	1,004,656	1,034,215
Current assets	184,415	132,118
Total assets	1,189,071	1,166,333
Non-current liabilities	(1,633,486)	(1,573,032)
Current liabilities	(145,655)	(196,493)
Total liabilities	(1,779,141)	(1,769,525)
Net liabilities (100%)	(590,070)	(603,192)
Carrying amount of interest in Carilend	-	-
Revenue	430,903	255,837
Profit/(loss) from continuing operations	25,266	(91,998)
Share of profit/(loss) from continuing operations	-	-

In testing the carrying value of interest in associate for impairment, the recoverable amount is estimated based on its value-in-use. Where the recoverable amount exceeds the carrying amount, no impairment allowance is made. The recoverable amount of the interest in associate is arrived at by estimating the future cash flows and discounting these cash flows using long-term discount rates applicable to the countries in which the business operates. Future sustainable cash flows are estimated based on the most recent forecasts, after taking account of past experience. Projected cash flows are estimated over 5 years discounted to present value using a discount rate 18%.

7. Interest in associates (continued)

Based on management's assessment, the recoverable amount of the interest in associate was less than the carrying amount; as such, the interest in associate was determined to be impaired and was written off in full.

The total of the unrecognised share of losses of the associate since the entity became an associate in August 2019 is $105,042,666 (2022: $112,801,894).

Effective December 30, 2022, the company acquired 23% shareholding in Kingston Properties Limited (KPREIT). The acquisition was effected via a swap transaction with the VM Wealth Unit Trust Property Fund (the Fund Manager being the wholly-owned subsidiary of the company).

The following table summarises the financial information of KPREIT as included in its own audited financial statements as at and for the year ended December 31, 2023 adjusted for fair value adjustments. The financial statements of KPREIT are denominated in United States dollars.

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

	Group and Company		
	2023	**2022**	**2022**
	$'000	**$'000**	**$'000**
		As previously stated	**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	-	-

7. Interest in associates (continued)

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

	Group and Company	
	2023 $'000	2022 $'000
At beginning of year	1,576,198	-
Net assets recognised on acquisition	-	1,576,198
Share of profit from continuing operations	164,411	-
Currency translation adjustment	37,772	-
Dividends	(59,121)	-
At end of year	1,719,260	1,576,198

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 and the gain from property/share swap (see note 23).

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

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

8. Interest in subsidiary

	Company	
	2023 $'000	2022 $'000
Shares in subsidiary – VM Wealth Management Limited	1,009,500	1,009,500

9. Loans receivable

	Group and Company	
	2023	**2022**
	$'000	**$'000**
Margin loans	2,867,307	3,208,930
Corporate loans	2,073,731	2,337,600
Insurance premium financing	-	2,758
	4,941,038	5,549,288
Less allowance for impairment on instruments at amortised cost [note 28(b)(v)(d)]	(289,370)	(81,908)
	4,651,668	5,467,380

While the gross carrying amount of the loans receivable is decreasing, the loss allowance is increasing due to the deterioration in the quality of collateral held (shares) for a portion of the loans. The collateral held represented 63% (2022: 100%) of the loan value. For such loans that were exposed to this deterioration in the collateral held, there was no default in repayments by the customer.

The following table shows the movement in gross carrying value of loan receivable:

	Group and Company	
	2023	**2022**
	$'000	**$'000**
At beginning of year	5,549,288	3,539,442
New loans granted	1,235,646	3,075,023
Loan repayments	(1,833,898)	(1,063,123)
Effect of changes in foreign exchange rates	(9,998)	(2,054)
At end of year	4,941,038	5,549,288

10. Accounts receivable - others

	Group 2023 $'000	Group 2022 $'000 Restated*	Company 2023 $'000	Company 2022 $'000
Customer receivables	46,336	84,172	-	-
Interest receivable	334,958	281,010	86,889	7,552
Withholding tax recoverable	-	102,272	-	80,246
GCT recoverable	1,954	80,246	1,954	5,623
Dividend receivable	1,311	3,853	1,311	3,853
Prepaid expenses	72,190	66,087	7,080	19,401
Other receivables	27,397	67,210	10,541	26,954
	437,810	600,678	107,775	143,629
	484,146	684,850	107,775	143,629

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

	Group 2023 $'000	Group 2022 $'000 Restated*
At beginning of the year	241,637	315,934
Increase/(decrease) in allowance [note 28(b)]	10,321	(74,297)
At end of year	231,316	241,637

(b) Reconciliation of amounts due from related parties included in accounts receivable

	Group 2023 Included in interest receivable $'000	Other accounts receivable $'000	Total [note 30(c)] $'000
Due from related parties [note 30(c)]	634	3,485	4,119

	Company 2023 Included in interest receivable $'000	Other accounts receivable $'000	Total [note 30(c)] $'000
Due from subsidiary company [note 30(c)]	200	-	200
Due from related parties [note 30(c)]	-	1,997	1,997

* See note 35

10. Accounts receivable – others (continued)

(b) Reconciliation of amounts due from related parties included in accounts receivable (continued)

	Group 2022		
	Included in interest receivable	Other accounts receivable	Total [note 30(c)]
	$'000	$'000	$'000
Due from ultimate parent society [note 30(c)]	-	11,249	11,249
Due from related parties [note 30(c)]	-	2,316	2,316

11. Deferred tax asset

	Group 2023			
	2022	Recognised in other comprehensive income	Recognised in income (note 27)	2023
	$'000 Restated*	$'000	$'000	$'000
Property, plant and equipment	32,237	-	17,854	50,091
Right-of-use assets	(18,147)	-	(3,767)	(21,914)
Investment securities	1,060,325	(62,284)	83,822	1,081,863
Accounts receivable	80,546	-	(3,447)	77,099
Interest receivable	(99,045)	-	(4,324)	(103,369)
Dividend receivable	(538)	-	538	-
Interest payable	58,545	-	(4,140)	54,405
Accounts payable	-	-	4,896	4,896
Accrued vacation leave	1,432	-	5,757	7,189
Employee benefit obligation	(1,101)	600	600	99
Finance leases	8,254	-	2,816	11,070
Unused tax losses	-	-	35,404	35,404
Lease liabilities	22,116	-	3,749	25,865
Unrealised foreign exchange losses	(3,915)	-	1,531	(2,384)
	1,140,709	(61,684)	141,289	1,220,314

* See note 35

11. Deferred tax asset (continued)

	Group Restated 2022* 2021	Recognised in other comprehensive income	Recognised in income (note 27)	2022
	$'000	$'000	$'000	$'000
Property, plant and equipment	27,386	-	4,851	32,237
Right-of-use assets	(21,914)	-	3,767	(18,147)
Investment securities	336,878	615,177	108,270	1,060,325
Accounts receivable	105,310	-	(24,764)	80,546
Interest receivable	(93,586)	-	(5,459)	(99,045)
Dividend receivable	(538)	-	-	(538)
Interest payable	52,555	-	5,990	58,545
Accrued vacation leave	827	-	605	1,432
Employee benefit obligation	8,166	(5,267)	(4,000)	(1,101)
Finance leases	(1,173)	-	9,427	8,254
Unused tax losses	(3,769)	-	3,769	-
Lease liabilities	25,550	-	(3,434)	22,116
Unrealised foreign exchange losses	2,978	-	(6,893)	(3,915)
	438,670	609,910	92,129	1,140,709

	Company 2021 (note 27)	Recognised in income	2022	Recognised in income (note 27)	2023
	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	(619)	(619)	2,256	1,637
Interest receivable	(10,067)	1,770	(8,297)	(12,577)	(20,874)
Investment securities	(15,481)	22,976	7,495	22,095	29,590
Finance leases	(1,173)	9,427	8,254	2,816	11,070
Accounts payable	-	-	-	4,896	4,896
Interest payable	11,172	(1,432)	9,740	(9,740)	-
Tax losses	(3,769)	3,769	-	35,404	35,404
	(19,318)	35,891	16,573	45,150	61,723

12. Property, plant and equipment

	Group Leasehold property	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
December 31, 2021	844,976	36,819	111,710	30,600	1,024,105
Additions	2,020	40	977	516	3,553
Disposals	(747,721)	-	-	-	(747,721)
December 31, 2022	99,275	36,859	112,687	31,116	279,937
Additions	-	727	113	-	840
December 31, 2023	99,275	37,586	112,800	31,116	280,777

* See note 35

12. Property, plant and equipment (continued)

	Group				
	Leasehold property $'000	Computer equipment $'000	Furniture and fixtures $'000	Leasehold improvements $'000	Total $'000
Depreciation:					
December 31, 2021	33,532	21,995	33,802	26,578	115,907
Charge for the year	19,948	4,496	10,433	1,713	36,590
Eliminated on disposal	(8,645)	-	-	-	(8,645)
December 31, 2022	44,835	26,491	44,235	28,291	143,852
Charge for the year	11,302	4,063	10,228	1,738	27,331
December 31, 2023	56,137	30,554	54,463	30,029	171,183
Net book values:					
December 31, 2023	43,138	7,032	58,337	1,087	109,594
December 31, 2022	54,440	10,368	68,452	2,825	136,085

13. Intangible asset – computer software

	Group $'000
Cost:	
December 31, 2021	406,972
Additions	170,218
December 31, 2022	577,190
Additions	12,488
December 31, 2023	589,678
Amortisation:	
December 31, 2021	223,893
Charge for the year	52,820
December 31, 2022	276,713
Charge for the year	76,096
December 31, 2023	352,809
Net book values:	
December 31, 2023	236,869
December 31, 2022	300,477

13. Intangible asset – computer software (continued)

	Company
	$'000
Cost:	
December 31, 2022 and 2023	41,875
Amortisation:	
December 31, 2022	515
Charge for the year	6,286
December 31, 2023	6,801
Net book values:	
December 31, 2023	35,074
December 31, 2022	41,360

14. Accounts payable

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000 Restated *	$'000	$'000
Customer payable	1,183,303	1,467,714	-	-
Payable to unit trust funds	-	383,697	-	383,697
Interest payable	182,366	185,380	19,587	38,961
Withholding tax payable	269,556	116,383	223,667	116,383
GCT payable	6,310	-	-	-
Other payables and accrued expenses	422,819	531,765	119,543	287,306
	881,051	1,217,225	362,797	826,347
	2,064,354	2,684,939	362,797	826,347

(b) Reconciliation of amounts due to related parties included in accounts payable

	Group 2023		
	Included in interest payable	Other accounts payable	Total [note 30(c)]
	$'000	$'000	$'000
Due to related parties [note 30(c)]	10,500	47,495	57,995

*See note 35

14. Accounts payable (continued)

(b) Reconciliation of amounts due to related parties included in accounts payable (continued)

	Company 2023		
	Included in interest payable	Other accounts payable	Total [note 30(c)]
	$'000	$'000	$'000
Due to subsidiary company [note 30(c)]	441	-	441

15. Repurchase agreements

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

	Group	
	2023	2022
	$'000	$'000
Denominated in Jamaica dollars	5,808,043	5,027,397
Denominated in United States dollars [US$55,410,069 (2022: US$69,942,500)]	8,548,006	10,561,894
	14,356,049	15,589,291

	Company	
	2023	2022
	$'000	$'000
Denominated in Jamaica dollars	438,000	60,000
Denominated in United States dollars [(US$ Nil) (2022: US$895,000)]	-	135,152
	438,000	195,152

At December 31, 2023, securities obtained under resale agreements and certain investments (see notes 5 and 6) and interest accrued thereon are pledged by the group as collateral for repurchase agreements. These financial instruments have a fair value of 14,411,535,000 (2022: $16,463,321,000) for the group and $496,079,000 (2022: $214,436,000) for the company.

16. Employee benefit obligation

(a) Pensions

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

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

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

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

The most recent funding actuarial valuation of the defined benefit plan, operated by the ultimate parent society (note 3 f (ii)), performed as of December 31, 2019, indicated that it is adequately funded. The group's contribution to the plans for the year amounted to $12,218,000 (2022: $10,712,000) as set out in note 25.

(b) Medical obligation

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

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

	2023 **$'000**	**2022** **$'000**
Balance at beginning of year	19,300	32,700
Interest cost	2,500	2,600
Current service cost	100	500
Benefits paid	(800)	(700)
Experience adjustments and actuarial gains recognised in OCI	1,800	(15,800)
Net expense/(credit) in profit or loss and OCI	3,600	(13,400)
Balance at end of year	22,900	19,300

16. Employee benefit obligation (continued)

(b) Medical obligation (continued)

(ii) Expense recognised in staff costs (note 25):

	2023 $'000	2022 $'000
Current service cost	100	500
Interest on obligation	2,500	2,600
	2,600	3,100

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

	2023 %	2022 %
Discount rate	11.00	13.00
Medical premiums growth	8.00	7.50

(iv) As at December 31, 2023, the weighted average duration of the employee benefit obligation was 15 years (2022: 16 years).

(v) Sensitivity analysis

A one percentage (2022: a one percentage) point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the post-employment medical benefit obligations by amounts shown below:

	2023		2022	
	1.0% increase $'000	1.0% decrease $'000	1.0% increase $'000	1.0% decrease $'000
Discount rate	3,200	(2,700)	(17,200)	22,000
Assumed medical cost trend rate	(2,600)	3,100	22,000	(17,200)

17. Borrowings

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Fixed and variable unsecured bonds (i)	7,154,375	4,680,524	7,066,438	4,592,587
Fixed rate credit linked note (iii)	-	410,647	-	410,647
Variable rate unsecured bond (iii)	-	1,000,000	-	1,000,000
Other loans (ii)	1,502,654	1,402,947	1,502,654	1,402,947
	8,657,029	7,494,118	8,569,092	7,406,181

(i) These are comprised of four fixed rate unsecured bonds and three variable rate unsecured bond issued by the company. 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 March 31, 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 March 31, 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 group's loan agreements are subject to financial covenant clauses, whereby the group is required to meet certain key financial ratios, which failure to satisfy and remedy is deemed "an Event of Default". At December 31, 2023, the group did not fulfil the Return on Assets ratio (minimum required ratio – 1%) and the Interest Coverage ratio (minimum required ratio – 1.5x) for the fixed and variable corporate bonds in issue. Consequently, the outstanding balance of $7,136,513,000 was due and payable, as such reclassified to current as at December 31, 2023 [note 28(c)].

Notwithstanding the breaches at the reporting date, the group, subsequent to the reporting date, was given until the end of the quarter following the year end to cure the covenant breaches. Subsequent to the reporting year end, the group was able to attain the minimum requirements for the financial covenants and immediate repayment is no longer required.

17. Borrowings (continued)

(ii) These are comprised of the following:

Three loans from the Development Bank of Jamaica received 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 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.

(iii) These borrowings were redeemed in the current reporting period.

	Group			
	2023		**2022**	
	Face value $'000	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**
Fixed and variable unsecured bonds (i)	7,136,153	7,154,375	4,622,350	4,680,524
Fixed rate credit linked note (iii)	-	-	410,647	410,647
Variable rate unsecured bond (iii)	-	-	1,000,000	1,000,000
Other loans (ii)	1,502,654	1,502,654	1,402,947	1,402,947
	8,638,807	8,657,029	7,435,944	7,494,118

	Company			
	2023		**2022**	
	Face value $'000	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**
Fixed and variable unsecured bonds (i)	7,136,153	7,066,438	4,622,350	4,592,587
Fixed rate credit linked note (iii)	-	-	410,647	410,647
Variable rate unsecured bond (iii)	-	-	1,000,000	1,000,000
Other loans (ii)	1,502,654	1,502,654	1,402,947	1,402,947
	8,638,807	8,569,092	7,435,944	7,406,181

17. Borrowings (continued)

The following tables show reconciliations from the opening balances to the closing balances for borrowings and other loans:

	Group		
	2023		
	Borrowings	Other loans	Total borrowings & other loans
	$'000	$'000	$'000
Balance as at December 31, 2022	6,091,171	1,402,947	7,494,118
Proceeds from loans and borrowings	6,070,358	560,000	6,630,358
Repayment of loans and borrowings	(4,958,403)	(453,502)	(5,411,905)
	7,203,126	1,509,445	8,712,571
Other changes:			
Transaction cost incurred	(126.712)	(6,791)	(133,503)
Transaction cost amortised	(77,961)	-	(77,961)
Balance as at December 31, 2023	7,154,375	1,502,654	8,657,029

	Group		
	2022		
	Borrowings	Other loans	Total borrowings & other loans
	$'000	$'000	$'000
Balance as at January 1, 2022	4,638,137	883,827	5,521,964
Proceeds from loans and borrowings	1,631,805	750,000	2,381,805
Repayment of loans and borrowings	(196,000)	(230,880)	(426,880)
	6,073,942	1,402,947	7,476,889
Other changes:			
Transaction cost incurred	(8,537)	-	(8,537)
Transaction cost amortised	(25,766)	-	(25,766)
Balance as at December 31, 2022	6,091,171	1,402,947	7,494,118

17. Borrowings (continued)

The following tables show reconciliations from the opening balances to the closing balances for borrowings and other loans (continued):

	Company		
	2023		
	Borrowings	Other loans	Total borrowings & other loans
	$'000	$'000	$'000
Balance as at January 1, 2023	6,003,234	1,402,947	7,406,181
Proceeds from loans and borrowings	6,091,322	560,000	6,651,322
Repayment of loans and borrowings	(4,958,403)	(453,502)	(5,411,905)
	7,136,153	1,509,445	8,645,598
Other changes:			
Capitalised borrowing costs	(69,715)	(6,791)	(76,506)
Balance as at December 31, 2023	7,066,438	1,502,654	8,569,092

	Company		
	2022		
	Borrowings	Other loans	Total borrowings & other loans
	$'000	$'000	$'000
Balance as at January 1, 2022	4,585,428	883,827	5,469,255
Proceeds from loans and borrowings	1,679,789	750,000	2,429,789
Repayment of loans and borrowings	(196,000)	(230,880)	(426,880)
	6,461,217	1,402,947	7,472,164
Other changes:			
Capitalised borrowing costs	(65,983)	-	(65,983)
Balance as at December 31, 2022	6,527,200	1,402,947	7,406,181

18. Leases

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

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

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

(a) Leases as lessee

(i) Right-of-use assets

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

	Group	
	Leasehold properties	
	2023	**2022**
	$,000	**$,000**
Balance at January 1	99,275	99,275
Depreciation at January 1	44,834	33,531
Depreciation charge for the year	11,302	11,303
	56,136	44,834
Balance at December 31	43,139	54,441

(ii) Lease liabilities:

	Group	
	2023	**2022**
	$'000	**$'000**
Undiscounted cashflows of lease liabilities		
Less than one year	17,506	17,506
One to five years	49,074	59,418
More than five years	597	7,760
	67,177	84,684
Less future interest charges	(12,216)	(18,339)
Carrying amount of lease liabilities	54,961	66,345
Current	12,576	11,384
Non-current	42,385	54,961
	54,961	66,345

18. Leases (continued)

(a) Leases as lessee (continued)

(iii) Reconciliation of movement during the period in the carrying amount of lease liabilities

	Group	
	2023	**2022**
	$'000	**$'000**
Balance at January 1	66,345	76,650
Lease principal payments during the year	(11,384)	(10,305)
Balance at December 31	54,961	66,345

(iv) Amounts recognised in profit or loss

	Group	
	2023	**2022**
	$'000	**$'000**
Leases under IFRS 16:		
Interest on lease liabilities (note 22)	6,122	7,201

(v) Amounts recognised in statement of cash flows

	Group	
	2023	**2022**
	$'000	**$'000**
Lease interest payments	6,122	7,201
Lease principal payments	11,384	10,305
Total cash outflow for leases	17,506	17,506

(vi) Extension options

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

18. Leases (continued)

(b) Leases as lessor

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

The group recognised interest income on lease receivable of $8,889,000 (2022: $11,711,000); see note 22. The allowance for impairment on finance leases receivable was $545,000 (2022: $2,810,000).

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

	Group and Company	
	2023	2022
	$'000	$'000
Gross investment in finance leases, receivable:		
2023	-	50,856
2024	43,867	46,433
2025	40,212	42,778
2026	17,382	19,735
2027	1,226	1,226
	102,687	161,028
Unearned finance income	(9,960)	(29,566)
Net investment in finance leases	92,727	131,462

19. Share capital

	Group and Company	
	2023	2022
	$'000	$'000
Authorised:		
5,000,000,000 (2022: 5,000,000,000) ordinary shares at no par value		
Issued and fully paid:		
1,500,025,000 (2022: 1,500,025,000) ordinary shares	713,262	713,262
Less: share issuance costs	(5,375)	(5,375)
	707,887	707,887

(a) The issued share capital does not include premium of $24,000,000 (2022: $24,000,000) on the shares, in accordance with Section 39(7) of the Companies Act Jamaica. This has been retained in the share premium account.

(b) On February 1, 2023 under an approved Scheme of Arrangement, all the ordinary shares issued by the company and held by the former parent society, Victoria Mutual Building Society were transferred to VM Financial Group Limited, the parent company.

In consideration for receiving the shares, VM Financial Group Limited alloted and issued a similar number of ordinary shares to the ultimate parent company, VM Group Limited. Those shares were credited as fully paid. Effectively, this meant that VM Financial Group Ltd. became the new parent company and VM Group Limited became the ultimate parent company (see note 1). No cash was transferred for the transaction.

20. Reserves

(a) Investment revaluation reserve

This represents:

- the cumulative net change in the fair value of equity securities measured at FVOCI, net of deferred taxes.

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

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

(b) Other reserve

This represents:

(i) accumulated actuarial gains or losses arising from the remeasurement of the post-retirement medical benefit obligation, net of deferred taxes and
(ii) currency translation adjustments arising from translation of investment in foreign operation (associate).

21. Non-controlling interest

(a) In the prior reporting period, this represented convertible preference shares in the subsidiary company that was issued to the ultimate parent society.

Pursuant to the approved Scheme of Arrangement, effective February 1, 2023, the convertible preference shares in the subsidiary company were transferred to the intermediate parent company, VM Financial Group Ltd. (see note 19).

The preference shares are redeemable, redemption being at the option of the subsidiary company and dividends are payable at such time as the subsidiary company may determine. The number of units in this category totals 50,000,000 (2022: 50,000,000).

(b) On October 31, 2023, the subsidiary company issued 1,500,000 non-redeemable, non-cumulative preference shares to the parent company, VM Financial Group Limited. Each preference share was issued at $1,000 per share. Dividends are payable at such time as the subsidiary company may determine.

Preference shareholders are not entitled to a share of profits.

22. Net interest income

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Interest income calculated using the effective interest method:				
Investment securities at FVOCI	754,592	847,230	-	-
Investment securities at amortised cost	270,156	48,571	270,156	48,571
Resale agreements at amortised cost	81,150	93,652	12,978	2,365
Loan receivables at amortised cost	404,161	410,461	404,161	402,334
	1,510,059	1,399,914	687,295	453,270
Interest income on finance leases	8,889	11,711	8,889	11,711
Interest on convertible preference share	164,375	-	164,375	-
Other	11,592	-	4,288	-
	1,694,915	1,411,625	864,847	464,981
Interest expense:				
Repurchase agreements	(786,803)	(730,658)	(12,242)	(7,715)
Loans and borrowings	(854,169)	(420,728)	(854,169)	(414,521)
	(1,640,972)	(1,151,386)	(866,411)	(422,236)
Lease liabilities	(6,122)	(7,201)	-	-
	(1,647,094)	(1,158,587)	(866,411)	(422,236)
Net interest income/(expense)	47,821	253,038	(1,564)	42,745

23. Gains from investment activities

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Gain on sale of fixed income securities classified as FVOCI	675,720	618,488	2,694	-
Fixed income securities at amortised cost	-	(872)	-	(872)
Convertible preference shares at FVTPL	301,903	-	301,903	-
Property/share swap (i)	-	235,457	-	235,457
Equities at FVTPL	(121,623)	93,666	(117,804)	98,517
Unit trust funds at FVTPL	27,952	-	-	-
Net foreign exchange translation losses (ii)	(17,609)	(212)	(5,366)	(4,937)
	866,343	946,527	181,427	328,165

23. Gains from investment activities (continued)

(i) These amounts represent the gain resulting from a swap transaction with the VM Wealth Unit Trust Property Fund (the Fund Manager, being the subsidiary company) in exchange for shares in Kingston Properties Limited (KPREIT). During the current reporting period, the purchase price allocation was completed for KPREIT. Consequently, the provisional financial information obtained was updated to reflect the carrying value of the interest in associate that existed at the acquisition date (note 7).

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

24. Fees and commissions

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Fee and commission income:				
Brokerage activities	84,748	70,941	-	-
Corporate advisory services	308,957	502,190	-	-
Portfolio management fees				
- unit trust funds	413,777	337,460	-	-
Portfolio management services				
-other	65,753	65,225	-	-
Commitment fees on loans	47,408	35,940	47,408	35,940
Other	24,290	4	24,291	-
	944,933	1,011,760	71,699	35,940

25. Staff costs

	Group	
	2023	**2022**
	$'000	**$'000**
Salaries and wages [note 30(d)]	727,902	656,657
Statutory payroll contributions	53,861	48,078
Pension plan contributions [note 16(a)]	12,218	10,712
Post-employment medical benefit [note 16(b)(ii)]	2,600	3,100
Allowances and other benefits	115,991	46,128
	912,572	764,675

26. Other operating costs

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Advertising and public relations	29,289	75,896	2,093	10,100
Asset tax	47,675	57,477	-	-
Audit fees – current	40,380	33,292	10,798	10,088
Bad debt written off	455	-	455	-
Bank charges	15,876	11,737	202	282
Communication and courier	1,580	14,964	-	-
Depreciation and amortization	102,915	89,410	6,286	9,160
Directors' fees [note 30 (b)]	27,312	26,226	15,322	15,170
Financial Services Commission fees	10,353	8,240	-	-
Irrecoverable GCT	9,446	9,239	-	-
JCSD charges	15,934	10,216	5,092	10,216
JSE charges	5,023	8,684	-	8,684
Legal and other professional fees	194,303	115,863	110,599	84,031
Outsourced services	355	59,444	-	-
Rent, maintenance and utilities	49,694	57,447	-	-
Settlement with customers	35,717	-	-	-
Software maintenance and IT expenses	88,856	79,451	-	-
Trustee fees – retail repurchase agreements	-	6,328	-	-
Management fees [note 30(d)]	104,386	-	13,096	60,776
Other expenses	31,152	92,411	1,709	24,434
	810,701	756,325	165,652	232,941

27. Income tax

(a) The charge for income tax is computed at statutory tax rate of 33⅓% (2022: 33⅓%) of the profit for the year for the subsidiary company and 25% (2022: 25%) for the company, as adjusted for tax purposes, and is made up as follows:

	Group		Company	
	2023 $'000	2022 $'000 Restated*	2023 $'000	2022 $'000
(i) Current income tax				
Current year	129,063	311,817	-	42,914
Prior year adjustment	(13,320)	-	(20,075)	-
	115,743	311,817	(20,075)	42,914
(ii) Deferred income tax (note 11)				
Origination and reversal of temporary differences	(141,289)	(92,129)	(45,150)	(35,891)
Total income tax (credit)/charge	(25,546)	219,688	(65,225)	7,023

* See note 35

27. Income tax (continued)

(b) The effective tax rate for 2023 was a credit of 14.74% (2022: 23.46%) for the group and a credit of 127.88% (2022: 2.69%) for the company of pre-tax profits. The actual tax charge differs from the theoretical tax charge for the year, as follows:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000 Restated***	**$'000**	**$'000 Restated***
Profit before income tax	173,298	936,276	51,001	260,468
Tax calculated at a rate of:				
25%	12,750	65,117	12,750	65,117
33⅓%	40,766	237,014	-	-
Adjusted for the effects of:				
Income not subject to tax	(74,038)	(123,640)	(61,954)	(76,875)
Tax effect of items not deductible for tax purposes	8,296	41,197	4,055	18,781
Prior year adjustments	(13,320)	-	(20,075)	-
Actual tax (credit)/charge	(25,546)	219,688	(65,224)	7,023

28. Financial instruments-risk management

(a) Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

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

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

* See note 35

28. Financial instruments-risk management (continued)

(a) Introduction and overview (continued)

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

(b) Credit risk

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

(i) Management of credit risk

Credit risk is the single largest risk for the group's business; management therefore carefully manages its exposure to credit risk. Credit risk management and control is delegated to the group's Finance Committees. The Committees are responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

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

The group holds collateral against loans to customers and others in the form of registered securities over assets. Professional and other means are used to arrive at fair values of such collateral, based on the value of collateral assessed at the time of borrowing. These collateral values are updated across the 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 brokers/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities.

- Cash and cash equivalents

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

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(ii) Collateral and other credit enhancements held against financial assets (continued)

- Resale agreements

  Collateral is held for all resale agreements.

- Investment securities and loans receivable

  Credit risk management includes:

  (i) Margin loans – daily monitoring of the collateral package and executing margin calls or asset sales to address any shortfall. Additional scrutinizing of tradeable securities utilized as collateral and removing those negatively impacted by the pandemic.

  (ii) Corporate loans - Undertake assessment of loans likely impacted by the current conditions (e.g., Tourism).

  In relation to its holding of investment securities, the group manages the level of risk it undertakes by investing substantially in short term Government of Jamaica, Bank of Jamaica and foreign Government debt securities; such securities are generally unsecured.

- Accounts receivable

  Exposure to credit risk is managed by regular analysis of the ability of the customers and other counter parties to meet repayment obligations.

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 customers			
Margin loans	75%	99%	Debt and equity securities
Corporate loans	100%	100%	Real property, shares, debt securities
Resale agreements	100%	100%	Debt securities

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(ii) Collateral and other credit enhancements held against financial assets (continued)

The group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the group since the prior period.

(iii) Concentration of credit risk

There is significant concentration of credit risk in that the subsidiary company, being a securities dealer that is obliged to trade mostly debt securities issued by the Government of Jamaica and Bank of Jamaica, holds substantial amounts of these debt securities. The management of the concentration of credit risk is guided by the group's Investment Policy, whereby exposure per debt security is limited to 20%. Compliance with these limits is reported on and monitored monthly.

(iv) Maximum exposure to credit risk and credit quality analysis

The following table sets out information about the maximum exposure to credit risk and the credit quality of financial assets measured at amortised cost and FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Debt securities at FVOCI:

	Group 2023	
	Stage 1 12-month ECL	**Total**
	$'000	**$'000**
Credit grade		
Investment grade	651,504	651,504
Non-investment grade	14,434,615	14,434,615
	15,086,119	15,086,119
Loss allowance (note 6)	(30,200)	(30,200)

	Group 2022	
	Stage 1 12-month ECL	**Total**
	$'000	**$'000**
Credit grade		
Investment grade	645,371	645,371
Non-investment grade	14,999,418	14,999,418
	15,644,789	15,644,789
Loss allowance (note 6)	(77,832)	(77,832)

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Maximum exposure to credit risk and credit quality analysis (continued)

- Resale agreements, finance leases, loans receivable and debt securities at amortised cost:

	Group 2023			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	6,600,402	189,869	-	6,790,271
Default	-	-	721,246	721,246
Gross carrying amount (notes 5,6,9)	6,600,402	189,869	721,246	7,511,517
Loss allowance [note 28(b)(v)(d)]	(20,231)	(305)	(284,323)	(304,859)
	6,580,171	189,564	436,923	7,206,658

As disclosed in Note 9, the loss allowance increased over the prior reporting period due to the deterioration in the quality of collateral held (shares) for a portion of the loans. Due to an increase in the LGD during the current reporting period, several loans previously in Stage 1 transitioned to Stage 3 classification. The collateral held represented 63% (2022: 100%) of those loan values.

	Group 2022			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	6,787,168	494,079	-	7,281,247
Default	-	-	41,939	41,939
Loss allowance [note 28(b)(v)(d)]	(50,155)	(6,328)	(40,047)	(96,530)
	6,837,013	487,751	1,892	7,226,656

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Maximum exposure to credit risk and credit quality analysis (continued)

- Resale agreements, finance leases, loans receivable and debt securities at amortised cost: (continued)

	Company 2023			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	5,244,868	189,869	-	5,434,737
Default	-	-	721,246	721,246
Gross carrying amount (notes 5,6,9)	5,244,868	189,869	721,246	6,155,983
Loss allowance [note 28(b)(v)(d)]	(19,720)	(305)	(284,323)	(304,348)
	5,225,148	189,564	436,923	5,851,635

	Company 2022			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	5,837,436	494,079	-	6,331,515
Default	-	-	41,939	41,939
Gross carrying amount (notes 5,6,9)	5,837,436	494,079	41,939	6,373,454
Loss allowance [note 28(b)(v)(d)]	(49,729)	(6,328)	(40,047)	(96,100)
	5,787,711	487,751	1,892	6,277,354

(v) Impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the group.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to below for a description of how the group determines when a significant increase in credit risk has occurred.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below (continued):

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Please see below which includes an explanation of how the group has incorporated this in its ECL models.

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

(a) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group’s historical experience and third party policies including forward-looking information.

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

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

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

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

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

(a) Significant increase in credit risk (continued)

Credit risk grades (continued):

Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

For debt securities in the Treasury portfolio which includes benchmark investment notes, treasury bills, US$ bonds, foreign government securities, corporate bonds and other public sector securities (note 6), external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

Determining whether credit risk has been increased significantly:

The group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

As a backstop, the group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

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

(a) Significant increase in credit risk (continued)

In assessing whether a borrower is in default, the group considers indicators that are:

- qualitative: e.g., breaches of covenant; extension to the terms granted; early signs of cashflow/liquidity problems;
- quantitative: e.g., overdue status and non-payment on another obligation of the same issuer to the company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

(b) Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the group's Finance team on an annual basis and provide the best and worst estimate view of the economy 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 compared historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

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

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

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.

For the economic scenarios used as at December 31, 2023 and 2022, the following key indicators represent scores used to adjust the forward-looking information for Jamaica for the years 2023 and 2024:

	2023	2024
Unemployment rates	7.6%	5.0%
Base	0.6	0.6
Upside	0.3	0.3
Downside	0.6	0.6
Interest rates	6.5%	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	6.3%	4.8%
Base	0.1	0.2
Upside	0.1	0.1
Downside	0.2	0.2

Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

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

(c) Measurement of the expected credit loss (ECL)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

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

(d) Loss allowance

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

Debt securities at FVOCI:

	Group 2023 **Stage 1** 12-month ECL $'000
Balance as at January 1, 2023	77,875
Adjustment to fair value reserve	
New financial assets originated or purchased	10,491
Financial assets derecognised during the year	(9,966)
Foreign exchange adjustment	961
Changes in models/assumptions used in ECL calculation	(49,161)
Net remeasurement of loss allowance	(47,675)
Balance as at December 31, 2023 (note 6)	30,200

	Group 2022 **Stage 1** 12-month ECL $'000
Balance as at January 1, 2023	101,729
Adjustment to fair value reserve	-
New financial assets originated or purchased	10,708
Financial assets derecognised during the year	(6,112)
Foreign exchange adjustment	(980)
Changes in models/assumptions used in ECL calculation	(27,470)
Net remeasurement of loss allowance	(23,854)
Balance as at December 31, 2023	77,875

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

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

(d) Loss allowance (continued)

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

	Group 2023			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	$'000	$'000	$'000
Balance as at January 1, 2023	50,155	6,328	40,047	96,530
New financial assets originated/purchased	4,827	305	-	5,132
Financial assets derecognised during the year	(33,774)	(3,406)	-	(37,180)
Changes to inputs used in ECL calculation	(3,753)	(2,921)	247,051	240,377
Net remeasurement of loss allowance	(32,700)	(6,022)	247,051	208,329
Balance as at December 31, 2023 [notes 6, 9 and 18(b)]	17,455	306	287,098	304,859

*See note 35

	Group 2022			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	$'000	$'000	$'000
Balance as at January 1, 2022	58,338	9,795	25,122	93,255
Transfer from stage 1 to stage 2	(2,735)	2,735	-	-
New financial assets originated/purchased	29,343	1,607	-	30,950
Financial assets derecognised during the year	(28,531)	(416)	-	(28,947)
Changes to inputs used in ECL Calculation	(6,260)	(7,393)	14,925	1,272
Net remeasurement of loss allowance	(8,183)	(3,467)	14,925	3,275
Balance as at December 31, 2022	50,155	6,328	40,047	96,530

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

(d) Loss allowance (continued)

Debt securities, finance lease, loans receivable and resale agreement at amortised cost (continued):

	Company 2023			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Balance as at January 1, 2023	49,725	6,328	40,047	96,100
New financial assets originated/purchased	4,316	305	-	4,621
Financial assets derecognised during the year	(33,344)	(3,406)	-	(36,750)
Changes in inputs used in ECL calculations	(3,753)	(2,921)	247,051	240,377
Net remeasurement of loss allowance	(32,781)	(6,022)	247,051	208,248
Balance as at December 31, 2023 (note 9)	16,944	306	287,098	304,348

	Company 2022			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Balance as at January 1, 2022	57,771	9,795	25,122	92,688
Transfer from stage 1 to stage 2	(2,735)	2,735	-	-
New financial assets originated/purchased	28,904	1,607	-	30,511
Financial assets derecognised during the year	(27,955)	(416)	-	(28,371)
Changes in inputs used in ECL calculations	(6,260)	(7,393)	14,925	1,272
Net remeasurement of loss allowance	(8,046)	(3,467)	14,925	3,412
Balance as at December 31, 2022	49,725	6,328	40,047	96,100

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

(e) Expected credit loss assessment

The following table provides information about the exposure to credit risk and ECLs for accounts receivable.

	Group 2023			
Age buckets	Weighted average loss rate	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
Current (not past due)	0.73%	43,997	323	No
31-60 days	16.17%	9,334	1,509	No
61-90 days	22.99%	12,194	2,804	No
Over 90 days	100%	226,680	226,680	Yes
		292,205	231,316	

	Group 2022			
Age buckets	Weighted average loss rate	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
Current (not past due)	3.94%	100,478	3,958	No
31-60 days	13.29%	38,028	5,055	No
61-90 days	3.73%	6,809	254	No
Over 90 days	100%	232,370	232,370	Yes
		377,685	241,637	

(f) Reconciliation of loss allowance for ECL

Loss allowance recognised/(reversed) in the income statement on financial assets during the year is summarised below:

	Group 2023 $'000	Group 2022 $'000 Restated*
Debt securities at FVOCI (note 6)	(47,675)	(23,854)
Resale agreements, debt securities, loans receivable, and finance leases at amortised cost (notes 5, 6, 9, 18)	208,329	3,275
Accounts receivable (note 10)	(10,321)	(99,738)
Other	43	(9)
	150,376	(120,326)

*See note 35

28. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(v) Impairment (continued)

(f) Reconciliation of loss allowance for ECL (continued)

	Company	
	2023	**2022**
	$'000	**$'000**
Debt securities, finance leases, loans receivable and resale agreements at amortised cost (notes 5,6,9,18)	208,248	3,412

(c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. Prudent liquidity risk management procedures which the group applies include maintaining sufficient cash and marketable securities, and monitoring future cash flows and liquidity on a daily basis.

The group's liquidity management process, as monitored by the Asset and Liability Committee, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates collateral which could be used to secure funding if required;
(ii) Maintaining a portfolio of highly marketable and diverse assets that can readily be liquidated as protection against any unforeseen interruption to cash flows;
(iii) Optimising cash returns on investments;
(iv) Monitoring liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities;
(v) Maintaining cash reserves well above the Regulatory requirement towards absorbing any additional shocks; and
(vi) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The subsidiary company 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. In computing the ratio, the numerator is calculated by subtracting the total assets maturing within ninety days from the total liabilities which fall due in ninety days. The denominator is total liabilities. The subsidiary company's ninety-day liquidity gap ratio at the end of the year was 67% (2022: 75.32%).

28. Financial instruments-risk management (continued)

(c) Liquidity risk (continued)

During the year there was no change to the nature of liquidity risk to which the group is exposed, or to the manner in which it measures and manages the risk.

The following table presents an analysis of the undiscounted cash flows required to settle the group's financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

The group does not expect that all of its customers will demand payment of funds at the earliest date pass due.

In the normal course of business, 65% - 85% of the subsidiary company's repurchase agreements contractually repayable within 3 months and within one year will be rolled-over into new contracts of similar or extended tenure. Subsequent to the year end, new bonds (borrowings) amounted to $425,000,000 (2022: $5,800,000,000) issued by the company have been used to finance maturing bonds. At the reporting year end, the group had incurred breaches in its covenant clauses for the borrowings (note 17). Subsequent to the reporting year end, the group was able to attain the minimum requirements for the financial covenants. Accordingly, the prepayment is no longer required.

The group is also able to meet unexpected net cash outflows by selling securities and accessing funding from the ultimate parent company and from other financial institutions.

	Group 2023				
	Within 3 months	**3 to 12 months**	**Over 12 months**	**Contractual cashflow**	**Carrying amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	877,655	-	-	877,655	877,655
Resale agreements	-	1,574,050	-	1,574,050	1,571,196
Investments	668,080	178,180	16,510,613	17,356,873	17,356,873
Loans receivable and net investment in finance leases	318,350	1,047,094	3,566,162	4,931,606	4,744,395
Accounts receivable	411,956	-	-	-	411,956
Total financial assets	2,276,041	2,799,324	20,076,775	25,152,140	24,962,075
Financial liabilities					
Borrowings	7,935,405	1,030,000	479,444	9,444,849	8,567,029
Accounts payable	1,418,347	-	-	1,418,347	1,418,347
Repurchase agreements, including interest	8,956,518	5,562,821	-	14,519,339	14,356,049
Lease liabilities	8,753	8,753	49,671	67,177	54,961
Due to ultimate parent society	124,362	-	-	124,362	124,362
Total financial liabilities	18,443,385	6,601,574	529,115	25,574,074	24,520,748
On statement of financial position gap, being total liquidity gap	(16,167,344)	(3,802,250)	19,547,660	(421,934)	351,327
Cumulative gap	(16,167,344)	(19,969,594)	(421,934)	-	

28. Financial instruments-risk management (continued)

(c) Liquidity risk (continued)

	Group 2022				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cashflow	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	1,192,249	-	-	1,192,249	1,192,249
Resale agreements	960,000	-	-	960,000	947,729
Investments	1,518,731	99,524	14,714,133	16,332,388	16,332,388
Accounts receivable	618,763	-	-	618,763	618,763
Total financial assets	4,289,743	99,524	14,714,133	19,103,400	19,091,129
Financial liabilities					
Borrowings	3,878,783	1,515,490	2,445,722	7,839,995	7,494,118
Accounts payable	2,220,660	-	-	2,220,660	2,220,660
Repurchase agreements, including interest	11,534,982	4,381,858	-	15,916,840	15,735,709
Lease liabilities	4,377	13,130	67,178	84,685	66,345
Due to ultimate parent society	441,722	-	-	441,722	441,722
Total financial liabilities	18,080,524	5,910,478	2,512,900	26,503,902	25,958,554
On statement of financial position gap, being total liquidity gap	(13,790,781)	(5,810,954)	12,201,233	(7,400,502)	(6,867,855)
Cumulative gap	(13,790,781)	(19,601,735)	(7,400,502)	-	

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

	Company 2023				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cashflow	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	101,332	-	-	101,332	101,332
Resale agreements	-	215,653	-	215,653	215,454
Loans receivable and net investment in finance leases	318,350	1,047,094	3,566,162	4,931,606	4,744,395
Accounts receivable	100,695	-	-	100,695	100,695
Investments	50,000	-	1,992,802	2,042,802	2,042,802
Total financial assets	570,377	1,262,747	5,558,964	7,392,088	7,204,678
Financial liabilities					
Borrowings	7,935,405	1,030,000	479,444	9,444,849	8,657,029
Accounts payable	58,114	-	-	58,114	58,114
Repurchase agreements, including interest	-	438,069	-	438,069	438,000
Due to subsidiary	122,538	-	-	122,538	122,538
Total financial liabilities	8,116,057	1,468,069	479,444	10,063,570	9,275,681
On statement of financial position gap, being total liquidity gap	(7,545,680)	(205,521)	5,079,520	(2,671,482)	(2,071,003)
Cumulative gap	(7,545,680)	(7,751,000)	(2,671,482)	-	

28. Financial instruments-risk management (continued)

(c) Liquidity risk (continued)

	Company 2022				
	Within 3 months	**3 to 12 months**	**Over 12 months**	**Contractual cashflow**	**Carrying amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	216,608	-	-	216,608	216,608
Investments	561,655	-	125,944	687,599	687,599
Accounts receivable	124,228	-	-	124,228	143,629
Total financial assets	902,491	-	125,944	1,028,435	1,047,836
Financial liabilities					
Due to ultimate parent society	193,593	-	-	193,593	193,593
Due to subsidiary	110,805	-	-	110,805	110,805
Borrowings	3,790,846	1,515,490	2,445,722	7,752,058	7,406,181
Accounts payable	618,941	-	-	618,941	618,941
Repurchase agreements, including interest	195,456	-	-	195,456	195,227
Total financial liabilities	4,909,641	1,515,490	2,445,722	8,870,853	8,524,747
On statement of financial position gap, being total liquidity gap	(4,007,150)	(1,515,490)	(2,319,778)	(7,842,418)	(7,496,312)
Cumulative gap	(4,007,150)	(5,522,640)	(7,842,418)	-	

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

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

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market.

These arise mainly from changes in interest rate, foreign currency rates and equity prices and will affect the group's income or the value of its holdings of financial instruments.

Market risk is monitored by management which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

The group's market risk management process, includes active monitoring of our portfolio of assets.

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(i) Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar.

The main currency giving rise to this risk is the United States dollar (US$). The group ensures that this risk is kept to an acceptable level by matching foreign currency assets with foreign currency liabilities, to the extent practicable. The net foreign currency exposure is kept to an acceptable level by buying or selling currencies at spot rates when necessary to address short-term imbalances. Foreign exchange gains and losses from these activities are included in other income.

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

	Group		Company	
	2023 US$'000	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**
Foreign currency assets:				
Cash and cash equivalents	2,107	6,818	5	934
Resale agreements	2,828	2,787	-	-
Investment securities	59,831	61,305	4,851	1,031
Loans receivable	-	705	-	705
Accounts receivable	5,059	10,341	504	1,528
	69,825	81,956	5,360	4,198
Foreign currency liabilities:				
Borrowings	907	-	907	-
Accounts payable	5,672	16,624	123	3,889
Repurchase agreements	55,410	69,943	-	895
	61,989	86,567	1,030	4,784
Net foreign currency assets/(liabilities)	7,836	(4,611)	4,330	(586)

Foreign exchange rates

The group uses the average of Bank of Jamaica's buying and selling rates [see note 3(c)]. The rates as at the reporting date were as follows:

	2023 $	**2022 $**
United States dollar	154.2681	151.0082

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements:

A 1% strengthening (2022: 1%) and a 4% weakening (2022: 4%) of the Jamaica dollar against the United States dollar at December 31, 2023 would have increased/(decreased) profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2022.

	Group			
	2023		**2022**	
	% Change in Currency Rate	**Effect on Profit**	**% Change in Currency Rate**	**Effect on Profit**
	%	**$'000**	**%**	**$'000**
Currency:				
US$	1% Revaluation	12,088	1% Revaluation	6,963
US$	4% Devaluation	(48,354)	4% Devaluation	(27,852)

	Company			
	2023		**2022**	
	% Change in Currency Rate	**Effect on Profit**	**% Change in Currency Rate**	**Effect on Profit**
	%	**$'000**	**%**	**$'000**
Currency:				
US$	1% Revaluation	6,680	1% Revaluation	885
US$	4% Devaluation	(26,719)	4% Devaluation	(3,538)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The group manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, where possible and to the extent judged appropriate, the maturity profile of its financial assets is matched by that of its financial liabilities; where gaps are deliberately arranged, management expects that its monitoring will, on a timely basis, identify the need to take appropriate action to close a gap if it becomes necessary.

The following table summarises the carrying amounts of assets, liabilities and equity to arrive at the group's interest rate gap based on the earlier of contractual repricing and maturity dates.

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	Group 2023				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	242,220	-	-	635,415	877,635
Resale agreements	1,489,694	80,991	-	-	1,570,685
Loans receivable	268,893	1,046,413	3,336,362	-	4,651,668
Investment securities	618,080	230,355	16,266,052	1,162,277	18,276,764
Accounts receivable excluding prepaid expenses	-	-	-	411,956	411,956
Net investment in finance leases	-	-	92,727	-	92,727
Total financial assets	**2,618,887**	**1,357,759**	**19,695,141**	**2,209,648**	**25,881,435**
Lease liabilities		-	-	54,961	54,961
Repurchase agreements	9,317,203	5,038,846	-	-	14,356,049
Borrowings	7,154,374	1,023,210	479,445	-	8,657,029
Due to ultimate parent company	-	-	-	124,362	124,362
Accounts payable	-	-	-	2,241,726	2,241,726
Total financial liabilities	**16,471,577**	**6,062,056**	**479,445**	**2,421,049**	**25,434,127**
Total interest sensitivity gap**	**(13,852,690)**	**(4,704,297)**	**19,215,696**	**(211,401)**	**477,300**
Cumulative gap	**(13,852,690)**	**(18,556,787)**	**658,709**	**447,308**	**-**

	Group 2022 Restated*				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	9,675	-	-	1,182,574	1,192,249
Resale agreements	640,886	111,261	-	-	752,147
Loans receivable	181,300	258,233	5,027,847	-	5,467,380
Investment securities	1,368,661	661,179	14,291,167	1,239,228	17,560,235
Accounts receivable excluding prepaid expenses	-	-	-	618,763	618,763
Net investment in finance leases	3,353	-	128,109	-	131,462
Total financial assets	**2,203,875**	**1,030,673**	**19,447,123**	**3,040,565**	**25,722,236**
Lease liabilities			-	66,345	66,345
Repurchase agreements	11,384,158	4,205,133	-	-	15,589,291
Borrowings	3,791,193	1,347,462	2,355,463	-	7,494,118
Due to ultimate parent society	-	-	-	441,722	441,722
Accounts payable	-	-	-	2,753,663	2,753,663
Total financial liabilities	**15,175,351**	**5,552,595**	**2,355,463**	**3,261,730**	**26,345,139**
Total interest sensitivity gap**	**(12,971,476)**	**(4,521,922)**	**17,091,660**	**(221,165)**	**(622,903)**
Cumulative gap	**(12,971,476)**	**(17,493,398)**	**(401,738)**	**(622,903)**	**-**

* **See note 35**

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	Company 2023				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	10,005	-	-	91,327	101,332
Investment securities	-	52,175	1,976,194	423,367	2,451,736
Net investment in finance leases	-	-	92,727	-	92,727
Resale agreements	215,454	-	-	-	215,454
Loans receivable	268,893	1,046,413	3,336,362	-	4,651,668
Other receivables excluding prepaid expense	-	-	-	100,695	100,695
Total financial assets	**494,352**	**1,098,588**	**5,405,283**	**615,389**	**7,613,612**
Borrowings	7,066,437	1,023,210	479,445	-	8,569,092
Repurchase agreements	438,000	-	-	-	438,000
Accounts payable	-	-	-	362,797	362,797
Due to subsidiary company	-	-	-	122,538	122,538
Total financial liabilities	**7,504,437**	**1,023,710**	**479,445**	**485,335**	**9,492,427**
Total interest sensitivity gap**	**(7,010,085)**	**75,378**	**4,925,838**	**130,054**	**(1,878,815)**
Cumulative gap	**(7,010,085)**	**(6,934,707)**	**(2,008,869)**	**(1,878,815)**	**-**

	Company 2022				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	8,977	-	-	207,631	216,608
Investment securities	-	561,655	114,563	426,113	1,102,331
Net investment in finance leases	3,353	-	128,109	-	131,462
Resale agreements	-	-	-	-	-
Loans receivable	181,300	258,233	5,027,847	-	5,467,380
Other receivables excluding prepaid expense	-	-	-	124,228	124,228
Total financial assets	**193,630**	**819,888**	**5,270,519**	**757,972**	**7,042,009**
Borrowings	3,703,256	1,347,462	2,355,463	-	7,406,181
Accounts payable	-	-	-	826,347	826,347
Repurchase agreements	195,152	-	-	-	195,152
Due to ultimate parent society	-	-	-	193,593	193,593
Due to subsidiary company	-	-	-	110,805	110,805
Total financial liabilities	**3,898,408**	**1,347,462**	**2,355,463**	**1,130,745**	**8,732,078**
Total interest sensitivity gap**	**(3,704,778)**	**(527,574)**	**2,915,056**	**(372,773)**	**(1,690,069)**
Cumulative gap	**(3,704,778)**	**(4,232,352)**	**(1,317,296)**	**(1,690,069)**	**(-)**

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

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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

	2023 Group			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
	%	%	%	%
Assets				
J$ Cash and cash equivalents	5.00	-	0.84	2.92
US$ Cash and cash equivalents	0.30	-	0.14	0.22
J$ Resale agreements	8.54	1.42	-	4.98
US$ Resale agreements	5.15	4.25	-	4.70
J$ Investment securities	7.50	9.76	7.42	8.10
US$ Investment securities	-	9.38	7.12	7.17
J$ Margin loans	14.55	4.90	14.34	14.60
J$ Corporate loans	-	-	10.72	10.72
Net investment in finance leases	8.75	-	7.06	7.91
Liabilities				
Borrowings	-	8.90	9.36	9.13
J$ Repurchase agreements	6.51	7.27	-	6.77
US$ Repurchase agreements	4.00	4.68	-	4.34

	2022 Group			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
	%	%	%	%
Assets				
J$ Cash and cash equivalents	5.00	-	-	5.00
US$ Cash and cash equivalents	0.30	-	-	0.30
J$ Resale agreements	7.83	7.27	-	7.26
US$ Resale agreements	4.07	-	-	4.07
J$ Investment securities	6.62	6.00	7.12	6.58
US$ Investment securities	-	3.75	7.25	5.50
J$ Margin loans	10.99	10.58	10.68	10.75
J$ Corporate loans	7.95	6.00	8.74	7.56
Net investment in finance leases	8.75	-	7.06	7.91
Liabilities				
Borrowings	5.86	6.63	6.20	6.23
J$ Repurchase agreements	6.25	6.11	-	6.23
US$ Repurchase agreements	3.70	4.28	-	3.89

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Average effective yields by the earlier of contractual repricing and maturity dates are as follows (continued):

	2023			
	Company			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
	%	%	%	%
Assets				
J$ Cash and cash equivalents	-	-	0.84	0.84
US$ Cash and cash equivalents	-	-	0.14	0.14
J$ Margin loans	14.55	14.90	14.34	14.60
J$ Resale agreements	-	1.42	-	-
J$ Corporate loans	-	-	10.72	10.72
J$ Investments	-	1.14	7.59	4.37
Net investment in finance leases	8.75	-	7.06	7.91
Liabilities				
J$ Repurchase agreements	6.50	-	-	6.50
US$ Repurchase agreements	-	-	-	-
Borrowings	-	8.90	9.36	9.13

	2022			
	Company			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.12	-	-	0.12
US$ Cash and cash equivalents	0.02	-	-	0.02
J$ Margin loans	10.99	10.58	10.68	10.75
J$ Corporate loans	7.95	6.00	8.74	7.56
J$ Investments	-	6.50	6.75	6.63
US$ Investments	-	3.75	-	3.75
Net investment in finance leases	8.75	-	7.06	7.91
Liabilities				
J$ Repurchase agreements	4.50	-	-	4.50
US$ Repurchase agreements	3.63	-	-	3.63
Borrowings	5.86	6.63	6.20	6.23

28. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity to interest rate movements

The following shows the sensitivity to interest rate movements at the reporting date on the group's profit and equity. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as for 2022.

	2023	2022
J$ interest rates	Increase/decrease by 25 bps	Increase by 100 bps Decrease by 50 bps
US$ interest rates	Increase/decrease by 25 bps	Increase by 100 bps Decrease by 50 bps

2023			2022		
Change in basis points JMD/USD	**Effect on Profit $'000**	**Effect on equity $'000**	**Change in basis points JMD/USD**	**Effect on profit $'000**	**Effect on equity $'000**
+25/+25	(14,695)	(170,083)	+100/-50	(87,722)	(910,060)
-25/-25	14,695	220,774	+100/-50	43,861	392,708

(iii) Equity price risk

Equity price risk arises from equity securities held by the group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the group's investment strategy is to maximise investment returns while managing risk.

The group equity securities that are listed on the Jamaica Stock Exchange total $857,044,000 (2022: $1,157,978,000). An increase of 6% (2022: 10%) in share prices would result in an increase in profit of $20,541,000 (2022: $62,936,000) and an increase in other comprehensive income of $30,600,000 (2022: $48,501,000). A decrease of 3% (2022: 10%) in share prices would result in a decrease in profit of $10,586,000 (2022: $62,936,000) and a decrease in other comprehensive income of $15,300,000 (2022: $48,501,000).

(e) Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders, to maintain a strong capital base to support the development of its business and to comply with the capital requirements set by the regulators of the subsidiary company.

28. Financial instruments-risk management (continued)

(e) Capital management (continued)

The Financial Services Commission ("FSC") stipulates and monitors capital requirements for the non-deposit-taking financial services sector. The FSC requires that the subsidiary company maintains a capital base of which at least 50% is to be of Tier 1 capital. In addition, the FSC employs certain ratios to test capital adequacy and solvency.

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

	2023	**2022**
	$'000	**$'000**
Tier 1 Capital	4,002,053	3,148,844
Tier 2 Capital	70,600	71,800
Total regulatory capital	4,072,653	3,220,644
Risk-Weighted Assets:		
On 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

		2023	**2022**
		$'000	**$'000**
Capital adequacy ratios:			
	FSC Benchmark	**2023**	**2022**
Tier 1 Capital/Total regulatory capital	Greater than 50%	98.27%	97.77%
Total regulatory capital/risk-weighted	Minimum 10%	22.72%	17.59%
Actual capital base /total assets	Greater than 6%	9.83%	15.55%

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

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

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

28. Financial instruments-risk management (continued)

(e) Capital management (continued)

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

	2023	**2022**
	$'000	**$'000**
Net Free Capital	2,248,946	1,403,687
Minimum Capital Requirements	(829,272)	(875,104)
Excess of Net Free Capital	1,419,674	528,583
Total Liabilities	17,130,664	17,492,655

	JSE Benchmark	**2023**	**2022**
Net Free Capital/Total Liabilities	Greater than 5%	13.13%	8.02%

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

29. Financial instruments - fair values

(a) Definition and measurement of fair values

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

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

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

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

29. Financial instruments - fair values (continued)

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

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

- Level 3: Input that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The techniques used to estimate fair values, together with the inputs used, are described below.

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

The following table shows the valuation method for each unquoted investment security.

Investment security	**Valuation approach**	**Fair value hierarchy level**
Home Choice Enterprise Limited	Income	Level 3
Cold bush	Asset	Level 3
Preference shares	Income	Level 3

Market Approach:

Under the market-based method, the fair market value of a business reflects valuation multiples based on comparable public companies or the price at which comparable businesses are purchased under similar circumstances. Use of the market based method requires that comparable companies or transactions be available.

The primary limitation associated with the market-based method is the availability of comparable companies or transactions occurring as of a recent date upon which to establish fair market value.

Asset Approach:

An asset-based method to determining the going-concern value of a business is normally used when (a) the value of the business is directly related to the underlying assets such as real estate, portfolio investments, etc., or (b) the net asset value of the business (under a non-liquidation scenario) is higher than a capitalized earnings value, implying that there is no goodwill associated with the business.

Typically the liquidation value is lower, due primarily to the consideration of disposition costs, including income tax costs, on the assumed liquidation of the assets.

Income Approach:

The earnings/cash flow value of a going concern is based upon the yield to an investor, at the desired rate of return on investment, having regard to a number of factors such as the rate of return on alternate investments, the degree of risk involved and the liquidity of the investment. An earnings/cash flow based method suggests a continuation of the business operation and is based upon a hypothetical purchaser's desire to develop the future profits of the business.

29. Financial instruments - fair values (continued)

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

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 brokers/dealers, namely, Oppenheimer; and • Apply price to estimate fair value.	• There are no significant 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 10.36% (2022: 8.85%)	• Risk-adjusted discount rate • Expected net cash flows derived from the entity	• Spread of 7.85% (2022:12.8%) 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.

29. Financial instruments - fair values (continued)

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

Level 3 fair values

In respect of Level 3 instruments, the group recognised in the profit or loss, total gains of $158,000 (2022: nil) as a result of the effects of fair value and foreign exchange rate movements.

The following tables shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Group		
	Convertible preference shares	**Unquoted Equities**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 January 2022	-	12,748	12,748
Additions	-	72,494	72,494
Disposals	-	(3,990)	(3,990)
Net change in fair value	-	158	158
Effect of changes in foreign exchange rates	-	(160)	(160)
Balance at 31 December 2022	-	81,250	81,250
Additions	845,923	-	845,923
Disposals	-	(4,068)	(4,068)
Net change in fair value	301,849	-	301,849
Effect of changes in foreign exchange rates	15,472	98	15,570
Balance at 31 December 2023	1,163,244	77,280	1,240,524

	Company		
	Convertible preference shares	**Unquoted Equities**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 January 2022	-	4,617	4,617
Additions	-	72,494	72,494
Net change in fair value	-	158	158
Effect of changes in foreign exchange rates	-	(87)	(87)
Balance at 31 December 2022	-	77,182	77,182
Additions	845,923	-	845,923
Net change in fair value	301,849	-	301,849
Effect of changes in foreign exchange rates	15,472	98	15,570
Balance at 31 December 2023	1,163,244	77,280	1,240,524

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

29. Financial instruments - fair values (continued)

(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			
	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 measured at fair value:								
Unquoted equities	-	77,280	-	77,280	-	-	77,280	77,280
Quoted equities	510,000	347,044	-	857,044	857,044	-	-	857,044
Convertible preference shares	-	1,163,244	-	1,163,244	-	-	1,163,244	1,163,244
Bank of Jamaica Securities	306,873	-	-	306,873	-	306,873	-	306,873
Government of Jamaica securities	12,194,884	-	113,478	12,308,362	-	12,306,634	-	12,306,634
Foreign government securities	901,361	-	-	901,361	-	901,361	-	901,361
Other public sector securities	201,880	-	-	201,880	-	201,880	-	201,880
Corporate bonds	1,481,120	-	766,080	2,247,200	-	2,292,322	-	2,292,322
Unit trust	-	227,953	-	227,953	-	227,953	-	227,953
	15,596,118	1,815,521	879,558	18,291,197	857,044	16,237,023	1,240,524	18,334,591
Financial assets not measured at fair value:								
Cash and cash resources	-	-	877,655	877,655	-	877,655	-	877,655
Resale agreements	-	-	1,570,988	1,570,988	-	1,570,988	-	1,570,988
Net investment in finance leases	-	-	92,727	92,727	-	92,727	-	92,727
Loans receivable	-	-	4,651,668	4,651,668	-	4,651,668	-	4,651,668
Accounts receivable-other excluding prepaid expense	-	-	411,956	411,956	-	411,956	-	411,956
	-	-	7,604,994	7,604,994	-	7,604,994	-	7,604,994
Financial liabilities not measured at fair value:								
Due to ultimate parent company	-	-	124.362	124,362	-	124.362	-	124.362
Borrowings	-	-	8,569,092	8,569,092	-	8,569,092	-	8,569,092
Lease liabilities	-	-	54,961	54,961	-	54,961	-	54,961
Repurchase agreements	-	-	14,356,049	14,356,049	-	14,356,049	-	14,356,049
Accounts payable-other	-	-	2,414,844	2,414,844	-	2,414,844	-	2,414,844
	-	-	25,519,308	25,519,308	-	25,519,308	-	25,519,308

	Group 2022							
	Carrying amount				Fair value			
	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 measured at fair value:								
Unquoted equities	-	81,250	-	81,250	-	-	81,250	81,250
Quoted equities	808,350	349,628	-	1,157,978	1,157,978	-	-	1,157,978
Government of Jamaica securities	12,908,977	-	214,486	13,123,463	-	13,121,029	-	13,121,029
Foreign government securities	850,417	-	-	850,417	-	850,417	-	850,417
Other public sector securities	397,309	-	-	397,309	-	397,309	-	397,309
Deferred shares	-	-	410,647	410,647	-	410,647	-	410,647
Corporate bonds	1,488,086	-	62,466	1,550,552	-	1,550,552	-	1,550,552
	16,453,139	430,878	687,599	17,571,616	1,157,978	16,329,954	81,250	17,569,182

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

29. Financial instruments - fair values (continued)

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

	Group 2022							
	Carrying amount				Fair value			
	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 not measured at fair value:								
Cash and cash resources	-	-	1,192,249	1,192,249	-	1,192,249	-	1,192,249
Resale agreements	-	-	752,147	752,147	-	752,147	-	752,147
Net investment in finance leases	-	-	131,462	131,462	-	131,462	-	131,462
Loans receivable	-	-	5,467,380	5,467,380	-	5,467,380	-	5,467,380
Accounts receivable-other excluding prepaid expense	-	-	618,763	618,763	-	618,763	-	618,763
	-	-	8,162,001	8,162,001	-	8,162,001	-	8,162,001
Financial liabilities not measured at fair value:								
Due to ultimate parent society	-	-	441,722	441,722	-	441,722	-	441,722
Borrowings	-	-	7,494,118	7,494,118	-	7,494,118	-	7,494,118
Lease liabilities	-	-	66,345	66,345	-	66,345	-	66,345
Repurchase agreements	-	-	15,589,291	15,589,291	-	15,589,291	-	15,589,291
Accounts payable-other	-	-	2,233,074	2,233,074	-	2,233,074	-	2,233,074
	-	-	25,824,550	25,824,550	-	25,824,550	-	25,824,550

	Company 2023						
	Carrying amount			Fair value			
	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 measured at fair value:							
Unquoted equities	77,280	-	77,280	-	-	77,280	77,280
Quoted equities	346,087	-	346,087	346,087	-	-	346,087
Convertible preference shares	1,163,244	-	1,163,244	-	-	1,163,244	1,163,244
Government of Jamaica securities	-	113,478	113,478	-	111,750	-	111,750
Corporate bonds	-	766,080	766,080	-	811,202	-	811,202
	1,586,611	879,558	2,466,169	346,087	922,952	1,240,524	2,509,563
Financial assets not measured at fair value:							
Resale agreements	-	215,454	215,454	-	215,454	-	215,454
Cash and cash resources	-	101,332	101,332	-	101,332	-	101,332
Net investment in finance leases	-	92,727	92,727	-	92,727	-	92,727
Loans receivable	-	4,651,668	4,651,668	-	4,651,668	-	4,651,668
Accounts receivable-other excluding prepaid expense	-	100,695	100,695	-	100,695	-	100,695
	-	5,161,876	5,161,876	-	5,161,876	-	5,161,876
Financial liabilities not measured at fair value:							
Due to subsidiary	-	122,538	122,538	-	122,538	-	122,538
Borrowings	-	8,569,092	8,569,092	-	8,569,092	-	8,569,092
Repurchase agreements	-	438,000	438,000	-	438,000	-	438,000
Accounts payable-other	-	58,114	58,114	-	58,114	-	58,114
	-	9,187,744	9,187,744	-	9,187,744	-	9,187,744

29. Financial instruments - fair values (continued)

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

	Company						
	2022						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:							
Unquoted equities	77,182	-	77,182	-	-	77,182	77,182
Quoted equities	348,931	-	348,931	348,931	-	-	348,931
Government of Jamaica securities	-	214,486	214,486	-	214,486	-	214,486
Deferred shares	-	410,647	410,647	-	410,647	-	410,647
Corporate bonds	-	62,466	62,466	-	62,466	-	62,466
	426,113	687,599	1,113,712	348,931	687,599	77,182	1,113,712
Financial assets not measured at fair value:							
Cash and cash resources	-	216,608	216,608	-	216,608	-	216,608
Net investment in finance leases	-	131,462	131,462	-	131,462	-	131,462
Loans receivable	-	5,467,380	5,467,380	-	5,467,380	-	5,467,380
Accounts receivable-other excluding prepaid expense	-	116,675	116,675	-	116,675	-	116,675
	-	5,932,125	5,932,125	-	5,932,125	-	5,932,125
Financial liabilities not measured at fair value:							
Due to ultimate parent society	-	193,593	193,593	-	193,593	-	193,593
Due to subsidiary company	-	117,634	117,634	-	117,634	-	117,634
Borrowings	-	7,406,181	7,406,181	-	7,406,181	-	7,406,181
Repurchase agreements	-	195,152	195,152	-	195,152	-	195,152
Accounts payable-other	-	618,941	618,941	-	618,941	-	618,941
	-	8,531,501	8,531,501	-	8,531,501	-	8,531,501

During the year, the group experienced fair value gains/(2022: losses) related to instruments that are measured at FVOCI amounting to $186,855,000 (2022: $1,845,531,000), net of expected credit losses and recycling gains of $675,720,000 (2022: $618,488,000) [See Note 23] The change is as a result of market conditions such as discount rates, yields and other macro-economic factors that affect the fair values.

30. Related party transactions and balances

(a) Definition of related party

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

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

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

(2) has significant influence over the group; or

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

30. Related party transactions and balances (continued)

(a) Definition of related party (continued)

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

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

(i) 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).

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

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

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

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

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

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

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

(iii) 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 including accounts receivable, accounts payable that is due to or from related parties are unsecured, interest free, and due for settlement within three months after the reporting date.

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

(b) Identity of related parties

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

30. Related party transactions and balances (continued)

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

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash and cash equivalents:				
Fellow subsidiary	57,774	-	10,005	-
Ultimate parent society	-	64,722	-	7,155
Resale agreements:				
Ultimate parent society	-	229,000	-	-
Fellow subsidiary	500,000	-	-	-
Subsidiary	-	-	215,454	-
Repurchase agreements:				
Ultimate parent society	-	679,363	-	-
Subsidiary	-	-	438,000	195,152
Fellow subsidiaries	828,803	-	-	-
Key management personnel, excluding directors	-	8,654	-	-
Investment securities:				
Immediate parent company (ii)	410,467	-	-	-
Ultimate parent society (ii)	-	410,647	-	410,647
Directors	130,030	-	-	-
Key management personnel, excluding directors	2,210	-	-	-
Accounts receivable:				
Ultimate parent society	-	11,249	-	-
Subsidiary	-	-	200	-
Fellow subsidiaries	4,119	2,316	1,997	-
Loans receivable:				
Directors	172,457	1,893	172,457	1,893
Immediate parent company	124,362	-	-	-
Due to ultimate parent society	-	441,722	-	193,593
Due to subsidiary company	-	-	122,538	110,805
Borrowings:				
Directors	6,000	-	6,000	-
Accounts payable – other:				
Fellow subsidiary	57,995	-	-	-
Subsidiary	-	-	441	-
Unit trust funds	-	383,697	-	383,697
Directors	48	-	-	-
Key management personnel, excluding directors	237	70	-	-

(i) Cash and cash equivalents, resale agreements, repurchase agreements and investment securities transactions with related parties have been conducted in the ordinary course of the business at contracted rates. Other balances due to or from related parties are unsecured, interest free, and are expected to be settled within the next 12 months. Impairment loss reversed on related party balances during the reporting period was $1,911,000 (2022: a reversal of $93,118,000).

(ii) During the current reporting period, the group exchanged $400,000,000 in deferred shares previously held with the former ultimate parent society for $400,000,000 convertible preference shares now held by the parent company

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

30. Related party transactions and balances (continued)

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

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Interest and dividend income:				
Ultimate parent society	-	62,058	-	26,730
Immediate parent company	27,364	-	27,364	-
Subsidiary - interest	-	-	12,978	2,365
Fellow subsidiaries	46,063	-	-	-
Directors	-	361	-	361
Management fee income:				
Immediate parent company	55,2069	-	-	-
Unit trust funds	-	337,460	-	-
Fellow subsidiary	-	7,455	-	-
Property/share swap gain:				
Unit trust funds	-	235,457	-	235,457
Commission expense:				
Subsidiary	-	-	-	35,230
Operating expenses:				
Management fees (included in note 26):				
Fellow subsidiary	91,290	-	-	-
Subsidiary (i)	-	-	13,096	60,776
Payroll related recharges (ii) (included in note 25)				
Immediate parent company	161,997	-	-	-
Fellow subsidiary	161,997	-	-	-
Ultimate parent society	-	257,382	-	-
Interest expense:				
Ultimate parent society	-	27,387	-	-
Subsidiary	-	-	12,241	7,715
Fellow subsidiaries	42,104	-	-	-
Associate of ultimate parent society	-	1,190	-	-
Directors	257	-	-	-
Key management personnel, excluding directors	467	307	-	-
Directors' fees (note 26)	27,312	26,226	15,322	15,170
Short-term employee benefits:				
Key management personnel, excluding directors	92,456	54,071	-	-

(i) The parent company has no employees. The parent company's activities are administered by staff employed to the subsidiary company. The price that is charged to administer the affairs of the parent company is represented by the management fees charged by the subsidiary company.

30. Related party transactions and balances (continued)

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

(i) (Continued)

Management fee expense is based on 20% of the parent company's profit before tax excluding management fees and dividend income.

(ii) The group receives support services from its parent company, VM Financial Group Limited, for which payroll costs are recharged.

31. Managed funds and custodial arrangements

The group acts as agent and earns fees for managing clients' funds on a non-recourse basis under management agreements. The group has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements. At December 31, 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).

As at December 31, 2023, the associated company, Carilend, had the following balances under the management of VM Wealth Unit Trust Funds, a related party

	Group and Company	
	2023 **$'000**	**2022** **$'000**
Investment securities	6,159	966,385
Accounts payable	187	8,569
Borrowings	6,061	964,902

32. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is calculated by dividing the profit for the year attributable to owners of the company of $198,844,000 [2022 restated*: $716,588,000], by a weighted average number of ordinary shares held during the year.

	2023	**2022**
Number of ordinary shares at December 31	1,500,025,000	1,500,025,000
Basic earnings per share (cents)	13¢	48¢

(b) Diluted earnings per share

The calculation of diluted earnings per share is calculated by dividing the profit for the year attributable to owners of the company of $198,844,000 (2022 restated*: $716,588,000), by a weighted average number of ordinary shares held during the year, after adjustments for the effects of all dilutive potential ordinary shares.

* See note 35

32. Earnings per share (continued)

(b) Diluted earnings per share (continued)

	2023	2022
Number of ordinary shares at December 31	1,500,025,000	1,500,025,000
Effect of potential redemption of convertible preference shares	50,000,000	50,000,000
Weighted average number of ordinary shares held during the year (diluted)	1,550,025,000	1,550,025,000
Diluted earnings per share (cents)	13¢	46¢

33. Contingent liabilities and capital commitment

The subsidiary company is subject to claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when it is probable that a payment will be made by the subsidiary company, and the amount can be reasonably estimated.

Certain suits have been filed by customers against the subsidiary company for alleged breach of fiduciary duty, abetting of breach of fiduciary duty, breach implied contract and breach of contract related to investment services provided to plaintiff. At the date of authorising these financial statements for issue, no legal opinion was formed on the probable outcome of the cases as the disputes were in the early stages. As such, no provision was made in the financial statements for these claim.

During the prior reporting period, the company entered into an agreement with Jasmef Limited, a company domiciled in St. Lucia, to which the company committed to make capital contributions up to a total agreed amount of US$10 million. These contributions are to be made as set forth in drawdown notices to be delivered to the company by Jasmef. As at December 31, 2023, the company had made capital contributions totaling US$622,735 (2022: US$241,660).

34. Changes in material accounting policies

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

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 for *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* from January 1, 2023, 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 January 1, 2022 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 11).

34. Changes in material accounting policies (continued)

(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 accounting policy information disclosed 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 to the information disclosed in note 3. Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

35. Prior year adjustments

The following tables summarize the impact of prior period adjustments in respect of the adjustment to the group's expected credit losses on receivables (note 10) and client settlement account (note 14).

(a) Statement of financial position

		Group		
		2021		
	Notes	**As previously reported**	**Adjustments**	**As restated**
		$'000	**$'000**	**$'000**
Cash and cash equivalents	(iii)	684,077	79,480	763,557
Accounts receivable-customers	(i)	227,080	(315,934)	(88,854)
Accounts receivable-customers	(ii)	-	137,133	137,133
Accounts receivable-others		493,574	-	493,574
Deferred tax asset	(i)	333,359	105,311	438,670
Other assets		29,180,522	-	29,180,522
Total assets		30,918,612	5,990	30,924,602
Accounts payable-customers	(iii)	719,915	491,505	1,211,420
Accounts payable-customers	(ii)	-	137,133	137,133
Accounts payable-others		983,634	-	983,634
Other liabilities		25,535,840	-	25,535,840
Equity	(i),(ii)	3,679,223	(622,648)	3,056,575
Total liability and equity		30,918,612	5,990	30,924,602

35. Prior year adjustments (continued)

(a) Statement of financial position (continued)

	Notes	Group 2022 As previously reported $'000	Adjustments $'000	As restated $'000
Accounts receivable-customers	(i)	325,809	(241,637)	84,172
Accounts receivable-others		600,678	-	600,678
Deferred tax asset	(i)	1,060,163	80,546	1,140,709
Other assets		27,116,233	-	27,116,233
Total assets		29,102,883	(161,091)	28,941,792
Accounts payable-customers	(ii),(iii)	1,081,129	386,585	1,467,714
Accounts payable-others		1,285,949	-	1,285,949
Liabilities		23,699,557	-	23,699,557
Equity	(i),(ii)	3,036,248	(547,676)	2,488,572
Total liability and equity		29,102,883	(161,091)	28,941,792

(b) Income Statement and Other Comprehensive Income

	Notes	Group 2022 As previously reported $'000	Adjustments $'000	As restated $'000
Net interest income and other operating revenue		2,336,950	-	2,336,950
Staff costs and other operating costs		(1,521,000)	-	(1,521,000)
Impairment gains on financial assets	(i),(iii)	20,588	99,738	120,326
Profit before income tax		836,538	99,738	936,276
Income tax charge	(i),(iii)	(194,922)	(24,766)	(219,688)
Profit for the year attributable to shareholders of the company	(i),(iii)	641,616	74,972	716,588
Other comprehensive income, net of tax		(1,284,591)	-	(1,284,591)
Total comprehensive loss for the year	(i),(iii)	(642,975)	74,972	(568,003)
Earnings per share (expressed as a ¢ per share)		43¢		48¢

VM INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2023

35. Prior year adjustments (continued)

(c) Statement of Cash Flows

	Notes	Group 2022 As previously reported $'000	Adjustments $'000	As restated $'000
Profit for the year	(i),(iii)	641,616	74,972	716,588
Adjustments for:				
Impairment gains on financial assets	(i)	(20,588)	(99,738)	(120,326)
Income tax expense	(i)	194,922	24,766	219,688
Other adjustments		(1,128,459)	-	(1,128,459)
Accounts receivable	(ii)	(256,683)	137,133	(119,550)
Accounts payable	(ii),(iii)	843,859	(216,613)	627,246
Other changes in operating assets and liabilities		(2,215,393)	-	(2,215,393)
Net cash used in operating activities		(1,940,726)	(79,480)	(2,020,206)
Net cash provided by investing activities		532,667	-	532,667
Net cash provided by financing activities		1,936,083	-	1,936,083
Net increase in cash and cash equivalents		528,024	(79,480)	448,544
Cash and cash equivalents at beginning of year		684,077	79,480	763,557
Effects of exchange rate fluctuations on cash and cash equivalents		(19,852)	-	(19,852)
Cash and cash equivalents at end of year		1,192,249	-	1,192,249

Notes

(i) During the year, the company performed an evaluation of the accounts 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.

(ii) As a part of the ECL assessment, credit balances of $137,133,000 which were previously included in accounts receivable for reporting year ended December 31, 2021, have been reclassified to accounts payable. The reclassification was performed for the purpose of presentation in the statement of financial position.

(iii) During the year, the group performed an evaluation of the accounts payable 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.

36. Subsequent events

(i) On March 27, 2024, the group sold its 30% shareholding in Carilend Caribbean Holdings Limited to VM Financial Group Limited its parent company for US$4,920,000. To facilitate the sale, the group 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.

(ii) On January 19, 2024, the company acquired Republic Funds (Barbados) Incorporated (RFI), having received the approval of regulators in Barbados and Jamaica.

The company's subsidiary, 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