ANNUAL REPORT 2014

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The Victoria Mutual Building Society

SAVINGS AND MORTGAGES | WEALTH MANAGEMENT | PENSION FUND MANAGEMENT | MONEY TRANSFER SERVICES | REAL ESTATE SERVICES

The Victoria Mutual Building Society

VISION

To be the leading provider of financial services

MISSION

We are a Mutual organisation whose mission is to maximize value for our Members and other key stakeholders by providing exceptional financial services locally, regionally and internationally to Caribbean nationals through enabling technology and a highly trained and motivated team to ensure superior Member and customer satisfaction.

CORE VALUES

- Flexibility
- Integrity
- Teamwork
- Innovation
- Respect
- Enthusiasm
- Excellence

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The VICTORIA MUTUAL Building Society

MEMBER ENGAGEMENT CENTRE:
(876) 754-8627

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **One Hundred and Thirty-Sixth Annual General Meeting of The Victoria Mutual Building Society** will be held in the Grand Caribbean Suite, The Knutsford Court Hotel, 11 Ruthven Road, Kingston 10, Jamaica on Thursday, July 30, 2015 at 3.00 p.m. for the following purposes:-

1. To receive the Audited Group Accounts for the year ended 31 December 2014 and the Reports of the Directors and Auditors.

To consider and if thought fit, pass the following Resolution:

Resolution No. 1

"THAT the Audited Group Accounts for the year ended 31 December 2014 and the Reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

2. To elect Directors.

(1) The Directors retiring from office by rotation pursuant to Rule Number 61(1) of the Society's Rules are Mr. George Dougall and Mr. Peter Brady and being eligible, offer themselves for re-election

To consider and if thought fit, pass the following Resolutions:

Resolution No. 2 (a)

"THAT Mr. George Dougall be and is hereby re-elected a Director of the Society"

Resolution No. 2 (b)

"THAT Mr. Peter Brady be and is hereby re-elected a Director of the Society"

(2) In accordance with Rule Number 62 of the Society's Rules, Dr. Maurice McNaughton having been appointed to the Board since the last Annual General Meeting, will retire from office and being eligible, offers himself for election.

Resolution No. 2(c)

"THAT Mr. Maurice McNaughton be and is hereby elected a Director of the Society."

3. To Review and Approve Directors' Renumeration

To consider and, if thought fit, pass the following Resolution:

Resolution No. 3

The Society proposes to increase the pool of funds available for payment of Directors' remuneration to include all components of the emoluments payable to Directors earmarked in accordance with Rule 66.

There has been no increase in Directors' remuneration since 2011.

Based on the foregoing, it is proposed, pursuant to Rule 66 of the Society's rules, that the pool of funds earmarked for Directors' remuneration be and is hereby increased to Twenty Three Million, Five Hundred Thousand Jamaican Dollars ($23,500,000.00), effective August 1, 2015

4. To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.

To consider and if thought fit, pass the following Resolution:

Resolution No. 4

"THAT Mr. Nigel Chambers and Mrs. Nyssa Johnson, Chartered Accountants of KPMG, being eligible for re-appointment as Auditors and offering themselves for re-appointment, be and are hereby appointed Auditors of the Society pursuant to Rule 71 of the Society's Rules to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Society".

5. To transact any other business permissible by the Society's rules at an Annual General Meeting

By Order of the Board

KBrown

Keri-Gaye Brown
Secretary
Dated: 12th day of May 2015

In accordance with and subject to the provision of Rule 89, a Member of the Society is entitled to appoint a proxy to attend and vote at this meeting in his/her stead. The Proxy form shall be provided by the Secretary on request. The completed Proxy form shall be signed by the member and delivered to the Secretary at the Chief Office of the Society not less than ten (10) days before the time appointed for holding of the meeting.

DIRECTORS' REPORT

The Directors take pleasure in presenting the One Hundred and Thirty-Sixth Annual Report and Statements of Revenue and Expenditure of the Group and the Society, for the year ended 31 December 2014, together with the Statements of Financial Position of the Group and the Society, as at that date.

SURPLUS

The Group Revenue and Expenditure Account shows Gross Revenue of $7.193 billion (2013: $6.536 billion (restated)) and Net Surplus of $1,006.182 million (2013: $942.881 million). (Restated)

DIRECTORS

The Directors who served the Society since the last Annual General Meeting are:

Mr. Michael McMorris, Chairman
Dr. Judith Robinson, Deputy Chairman
Rear Admiral Peter Brady
Mr. Noel daCosta
Mr. Fernando DePeralto
Mr. George Dougall
Mr. Paul Pennicook
Mr. Richard K. Powell
Mr. Richard M. Powell
Mrs. Jeanne Robinson-Foster
Miss Sandra Shirley
Mr. Matthew Wright
Mr. Brian Goldson
Dr. Maurice McNaughton

ROTATION

In accordance with Rule 61(1) of the Society's Rules, at the next Annual General Meeting, Mr. George Dougall and Mr. Peter Brady will retire by rotation and being eligible, will offer themselves for re-election.

In accordance with Rule Number 62 of the Society's Rules, Mr. Maurice McNaughton having been appointed to the Board since the last Annual General Meeting, will retire from office and being eligible, offers himself for election.

RETIREMENT

There were no resignations.

AUDITORS

Mr. Nigel Chambers and Mrs. Nyssa Johnson, Auditors of the Society, retire and, in accordance with Rule 71, being eligible, offer themselves for re-appointment.

The Directors wish to record their thanks to the management and staff for their continued commitment to the Society and for their hard work during the year under review.

By Order of the Board
12th May, 2015

Keri-Gaye Brown
Secretary

8-10 Duke Street, Kingston
Jamaica, West Indies

BOARD OF DIRECTORS

Michael A. McMorris
B.A., Chairman

Mr. Michael McMorris is the Chairman of the Board of Directors at Victoria Mutual Building Society and has been a member of the Board for over eight years. He is also the Principal of the business management firm KRONOS Limited that specializes in new venture development and includes among its areas of expertise investment project facilitation, debt and equity fund raising and corporate management outsourcing. Prior to KRONOS, Mr. McMorris has had a successful career in both the Private and Public sectors and was previously an Executive Director of Jamaica Promotions Corporation (JAMPRO) and has held the position of Managing Director with Trafalgar Commercial Bank (now First Global) and Knutsford Capital Merchant Bank, of which he is also a founder. He has been President of the Merchant Bankers Association, Chairman of the Finance Committee of the Airports Authority of Jamaica and a member of the Board of the National Export-Import Bank. Mr. McMorris also currently serves as Chairman of the Victoria Mutual Wealth Management Limited, and Deputy Chairman of the Victoria Mutual Group's affiliate company, British Caribbean Insurance Company (BCIC).

Judith Robinson
Ph.D., F.C.C.A., F.C.A.,
Deputy Chairman

Dr. Judith Robinson is a Chartered Accountant and Management Consultant, who has extensive experience in the areas of organizational development, financial planning and control, strategic planning and performance monitoring and evaluation. A former partner in the management consulting practice of Price Waterhouse Jamaica, Dr. Robinson has held senior management and accounting positions at the Jamaica Telephone Company Limited, the National Water Commission and NCR (Jamaica) Commission Limited, and NCR (Jamaica) Limited. She currently serves as a Chairman of NEPA's Advisory Board, Director of the Caribbean Cement Company Limited, IGL Limited, National Water Commission and Finsac Limited, and is a member of the Public Sector Committee of the Institute of Chartered Accountants of Jamaica, NCR (Jamaica) Limited.

Richard K. Powell
M.B.A., M. Sc., B. Sc. (Hons.),
President & CEO

Mr. Richard Powell, President and Chief Executive Offi cer, joined The Victoria Mutual Building Society in July 2005. Mr. Powell is a highly qualified and respected executive, whose professional experience includes appointments as President and CEO of Life of Jamaica Limited and Blue Cross of Jamaica, as well as a senior management position at the Lascelles DeMercado Group of Companies.

He has also had a successful engineering career in the public sector and has a reputation for executing his responsibilities with unquestioned integrity, dedication and professionalism. Mr. Powell has initiated a drive to transform the Society and its subsidiaries into an integrated financial services provider. During his nine-year tenure, Mr. Powell has successfully led the drive that has resulted in the broadening of the Vision and Mission of the organization for financial and operational effi ciency, and has repositioned the Group as a dynamic and customer-driven organization. Mr. Powell serves on the boards of several public and private sector corporations, as well as non-governmental organisations, including the PSOJ Council; Chair, National Works Agency Advisory Committee; member of the South East Regional Health Authority; the Natural Resources Conversation Authority (NRCA); the Environmental Foundation of Jamaica (EFJ) and Chair of the Preparatory Committee of the 5th and 6th Biennial Jamaica Diaspora Conferences.

In recognition of his extraordinary management achievements, public service and community activism the Jamaica Institute of Management presented him with the 2013 Manager of the Year Award.

Jeanne P. Robinson-Foster
(Hons.), LL.B (Hons.), C.L.E.

Mrs. Jeanne Robinson-Foster, Attorney-at-Law and Notary Public, possesses over 20 years of experience in the Legal profession and was founding Partner of Watt, King & Robinson. In October 2011, she was conferred with the Order of Distinction (O.D.) in the Commander Class. A Past Director of the Montego Bay Chamber of Commerce, Mrs. Robinson-Foster is the Immediate Past President of the Cornwall Bar Association, a Past National President of the Soroptimists Club of Jamaica and has also held the post of Director of the Montego Co-Operative Credit Union, Montego Bay High School, Barracks Road Primary and the Cornwall Regional Hospital. Mrs. Robinson-Foster is presently Chairman of the Board of the Mutual Building Societies Foundation and Sam Sharpe Teachers College, represents the Building Societies Association on the Governor General's Achievement Awards Cornwall County Committee and is a Trustee and Chairman of the Good Shepherd Foundation. She is actively involved in the Calvary Baptist Church and many other organizations.

Mr. Noel daCosta
MA.Sc. M.B.A., B. Sc., ACII

Mr. Noel daCosta was appointed to the Board of Directors in January 2006. He is currently a consultant with Diageo where he previously held the position of Corporate Relations Director for Central America and the Caribbean. He has also held senior management positions at Desnoes & Geddes Ltd., including Brewmaster and Technical Director. This Commonwealth Scholar and Fellow of the Institute of Chemical Engineers in the UK and the Jamaica Institute of Engineers, is qualified in Engineering, Management and Insurance. Mr. daCosta has served and continues to serve on many other boards, including Petroleum Corporation of Jamaica, Desnoes and Geddes Limited, The Jamaica Chamber of Commerce, United Way of Jamaica, Caribbean Association of Industry and Commerce, and the Caribbean Breweries Association. He currently heads the committee that is crafting the National Building Code for Jamaica.

Paul Pennicook
B. Sc.

Mr. Paul Pennicook, an experienced hotelier, has held several executive management positions in the hotel and tourism industry including management positions at the Holiday Inn, Montego Bay before going on to work as General Manager at Couples, Ocho Rios, and Senior Vice President of Sales and Marketing for SuperClubs. Mr. Pennicook joined Unique Vacations, the Marketing arm of the Sandals Resorts chain, in 1995 as Executive Vice President. He was appointed to the position of President and Chief Executive Offi cer of Couples Resorts in 1997, served as First Vice President of The Jamaica Hotel and Tourist Association (JHTA) as well as Chairman of that organization's Marketing Committee. He was named Hotelier of the Year in 2001 by the JHTA. Mr. Pennicook previously held the position of Director of Tourism for Jamaica and has also served as Senior Vice-President at Air Jamaica. He now serves as President of International Lifestyles Inc, the Worldwide Representative for SuperClubs Resorts. He is a wine connoisseur who has visited Vineyards in California (USA), Australia and Europe studying blends indicative to these regions.

Matthew Wright
M. Phil., M.A., B.A.

Mr. Matthew Wright is the Principal of IWC Capital Management LLC, a New York based private equity firm specializing in multi-family residential and commercial real estate investments in New York City. Mr. Wright has over 13 years experience in corporate finance, credit risk management and real estate investments. He is a former Vice-President in the Infrastructure Finance Group of Citibank Global Capital Markets in New York, with responsibility for providing advisory and debt arrangement services to major infrastructure projects in North America, Latin America and the Caribbean. Mr. Wright has also served as Assistant Vice-President for Capital Markets in Market Corporate Bank of Citibank Jamaica.

BOARD OF DIRECTORS (CONT'D)

Sandra M. Shirley
M.B.A., B. Sc. (Hons.)

Ms. Sandra Shirley has extensive experience spanning over 20 years in wealth management, trust banking, strategic planning and implementation in the United States and the Caribbean. Ms. Shirley is Business Facilitator/Consultant of Sandra Shirley & Associates and is the Former President of First Global Financial Services Limited. Ms. Shirley is a 2006 Fellow of the Jamaican Institute of Management Former Commissioner, Anti-Dumping & Subsidies Commission, a member of the Justice Reform Committee of the Private Sector Organization of Jamaica (PSOJ) and founding Finance Co-Chair of the Women's Leadership Initiative, The United Way of Jamaica. She has also served as Director and Vice-President of the Jamaica Chamber of Commerce, Deputy Chairman of the Jamaica Stock Exchange (2008) and Secretary of the Jamaica Securities Dealers Association (2006-2008).

Fernando DePeralto
F.C.A., M. Sc., B. Sc.

Mr. Fernando DePeralto has had a rewarding career in the field of finance. He gained a wealth of experience through his work with the International Monetary Fund (IMF), where he provided technical assistance to Central Banks in Africa and Asia for nine years. Additionally he has held the position of Director of Finance in the Bank of Zambia and Deputy Governor of the Bank of Jamaica. Mr. DePeralto has served on the board of several other companies including the Bank of Jamaica, EX-IM Bank and Petrojam, and has also held the position of Chairman of the Jamaica Stock Exchange. He currently provides services as a Financial Consultant.

Rear Admiral Peter Brady
CD, CVO, MMM, J.P.

Rear Admiral Peter Brady has over 35 years of military experience, having served at the highest capacity as Chief of Staff of the Jamaica Defence Force. He was awarded a post-graduate degree in Maritime Management from Dalhousie University, Canada, and lauded with several accolades including the Commander of the Royal Victorian Order, Commander of the Order of Distinction, and the Legion of Merit (Commander, USA). Rear Admiral Brady has also served in academia as guest lecturer in Maritime Safety Administration and Maritime Security at the World Maritime University (WMU), Dalhousie University, Canada, and was recently appointed to the Board of Governors of the World Maritime University. In 2006, he was appointed Chairman of the National Hydrographic Committee and Honorary Consul of the Principality of Monaco. He currently holds the position of Director General at the Maritime Authority of Jamaica (MAJ) and is Chairman of the UN specialised agency's International Maritime Organization's body for global 'Standards of Training and Certifi cation' for merchant marine offi cers, including masters and chief engineers. He was recently elected to the membership of the Nautical Institute as an Associate Fellow (AFNI).

Richard M. Powell
B.A. (Hons.)

Mr. Richard M. Powell is a co-founder and Managing Partner of AP Capital Partners (APCP), a leading middle-market private equity fi rm. APCP's portfolio has grown to generate revenues of approximately $1 billion and employs over 6000 people around the globe. Mr. Powell's key strengths are in finance, management and e-business and he has worked on a variety of transactions. Mr. Powell was the co-founder and CEO of Fuxito Worldwide, a venture-backed technology firm serving the $300 billion global sports market. He has worked with, or consulted to, leading asset management, insurance and non-profi t firms in the US and overseas. Mr. Powell currently serves on the boards of Zero Chaos, eServices and The Victoria Mutual Building Society (VMBS). He is also a board member of the Orlando chapter of the Association for Corporate Growth (ACG) and the 1420 Foundation, a non-profit that leverages education to advance sustainable global economic development. He was named one of the "40 under 40 Leaders to Watch" by the Orlando Business Journal and selected by the World Economic Forum as one of 200 Young Global Leaders (2009). He is also co-author of the forthcoming book titled, 'The Buyout Game,' and was nominated in the Jamaica Observer Business Leader Awards in 2011.

George Dougall
M.B.A., B. Sc.

Mr. Dougall, an esteemed entrepreneur and electrical engineer is the proprietor and Managing Director of Dougall Flooring Ltd., a woodwork manufacturing organization based in Kingston. Mr. Dougall has previously held the position of Managing Director of Jamaican Floral Exports and Wherry Wharf Limited and brings with him sound experience as an originator of business solutions and astute fi nancial management to the Victoria Mutual Board. He is married with four children and loves a good game of squash and bridge.

Brian Goldson
M.B.A., B. Sc.

Mr. Brian Goldson is an experienced and innovative business leader with expertise in the areas of finance and strategic management. He was appointed to the board of the Victoria Mutual Building Society in 2013.Mr. Goldson has more than 20 years of proven experience in starting and building new business enterprises and leading them to top positions in their respective markets in a number of countries in the Caribbean. He has an outstanding track record in establishing and/or managing a wide range of high volume retail consumer transactional fi nancial services. These include the launch of Western Union Money Transfer Services; F/X Trader, a retail cambio/bureau de change; and Bill Express, a bill payment service, in several Caribbean territories. A former equity trader, Mr Goldson has successfully led companies to listings on capital markets. In particular, he led Access Financial Services, a micro-finance institution, to a successful listing on the Jamaica Junior Stock Exchange in October 2009 --the first company in Jamaica to do so. Mr. Goldson served for 16 years as a member of senior management at Grace Kennedy and Company including the position of Managing Director of Grace Kennedy Remittance Services Ltd. He was a member of the main board from 1999 to 2006. His other previous board appointments include Non-Executive Chairman of Access Financial Services as well as the Postal Corporation of Jamaica. Mr. Goldson attained a BSc in Investment Finance from the University of New Orleans, and a MBA specializing in Strategic Management and Real Estate Finance from Georgia State University.

Maurice McNaughton
PhD

Dr Maurice McNaughton is an Engineering Graduate of the University of the West Indies and holds a PhD in Decision Sciences from Georgia State University. He has over 20 years senior management and leadership experience in the planning and direction of enterprise-level Information Technology in organizations and is currently Director of the Centre of Excellence for IT-enabled Innovation at the Mona School of Business & Management, UWI.

Dr McNaughton's research interest spans the domain of emerging Open ICT ecosystems and integrates extensive industry experience with focused academic research about the strategic use of ICTs as an enabler of business innovation in small and large enterprises, as well as a growth-enabler for developing economies. He serves the public sector in several capacities including as a member of the National ICT Advisory Council, and the Board of Directors of HEART College of Innovation & Technology.

Keri-Gaye Brown
LL.B, Senior Vice-President, Group Legal, Compliance & Corporate Secretary

Keri-Gaye Brown joined the Victoria Mutual family in August 2010 as Senior Vice-President, Group Legal Compliance & Corporate Secretary. Miss Brown is an Attorney-at-Law, who has been practicing for over 14 years and has extensive knowledge in the areas of banking law, insurance law, securities laws, corporate secretarial and also in the development of compliance and corporate governance policies. Prior to joining Victoria Mutual, Ms. Brown was the Senior Vice-President General Counsel & Corporate Secretary for The Bank of Nova Scotia Jamaica Limited, where she served as the General Counsel and Chief Compliance Officer for the Scotia Group. She has also worked as an Associate Attorney for Livingston Alexander & Levy and Gifford Thompson & Bright Attorneys-at-Law.

GROUP EXECUTIVES

STANDING: LEFT - RIGHT

RICHARD K. POWELL
MBA, M.Sc., B.Sc. (Hons.),
President &
Chief Executive Officer

JANICE McKENLEY
F.C.C.A., F.C.A., MBA (Hons.),
B.Sc. (Hons.),
Senior Vice-President &
Group Chief Financial Officer

PETER REID
B. A. (Hons.)
Senior Vice-President & Chief
Operating Officer

SEATED: LEFT - RIGHT

VIVIENNE BAYLEY-HAY
B.Sc. (Hons.),
Vice-President,
Group Marketing
& Corporate Affairs

KATHYA BECKFORD
CFA, M.Sc. (Distinction),
B.Sc. (Hons)
Assistant Vice-President,
Group Strategy

LARAINE HARRISON
M.B.A., B.A. (Hons.),
Vice-President, Group Human Resources Administration

DAMION GALLIMORE
B. Sc. (Hons)
Assistant Vice-President, Group Information Communication Technology

SHEALLY SOLOMON
FCCA, BBA.
Assistant Vice-President, Group Finance

ALLAN LEWIS
A.S.A, Ed M., MBA, B.Sc. (Hons.)
Senior Vice-President, Group Strategy

KERI-GAYE BROWN
LL.B. (Hons.)
Senior Vice-President, Group Legal Compliance & Corporate Secretary

JOAN BROWN
DIFA, F.C.C.A., M.Fin., MBA,
Assistant Vice-President, Risk Management

The VICTORIA MUTUAL Building Society

Victoria Mutual Building Society was founded in 1878 out of the belief that every Jamaican can achieve their dream of home ownership - as long as we work together. We're a Mutual organization, owned by our Members, and over the years we've expanded and adapted our products and services to keep up with your ever diversifying goals. We're proud of who we are today – a modern Building Society that's right here with you, working to help your many dreams come true.

SAVINGS | MORTGAGES | INVESTMENTS | FX TRADING |FREE FINANCIAL PLANNING | ONLINE BANKING

LEADERSHIP TEAM

01 CLIVE NEWMAN
MBA, FICB
Assistant Vice President,
Credit

02 CONROY ROSE
CSC, MBA, B Sc (Hons)
Assistant Vice President,
Sales & Service - Eastern

03 LEIGHTON SMITH
MBA, BA (Hons)
Chief Representative Oficer
United Kingdom

04 ANDRENA McMAYO
M. Sc.
Assistant Vice President,
Treasury

05 AUDLEY KNIGHT
PFP, MBA, BBA (Hons)
Assistant Vice President
Sales & Service - Western Region

06 RICKARDO EBANKS
B. Sc. (Hons)
Vice President,
Centralized Services

07 KARLENE WAUGH
B. Sc., CiAPM
Assistant Vice President,
Branch Operations
Business Processes

08 PETER REID
B. A. (Hons.)
Senior Vice President,
& Chief Operating Officer

09 CHRISTOPHER DENNY
CA, M. Sc., B. Sc. (Hons.)
Vice President,
Distribution

VICTORIA MUTUAL BUILDING SOCIETY

VICTORIA MUTUAL Wealth MANAGEMENT

At VM Wealth Management our mission is to help you build the financial future you want, and that means different things for each of our clients. So, for us, step one is listening. As for the next steps, they're all guided by years of experience, expert insight of the markets and ever-expanding creativity. We've stayed focused on your goals, and that's made our focus on making you money even sharper.

WEALTH MANAGEMENT | BONDS | STOCKS | PORTFOLIO MANAGEMENT | ADVISORY SERVICES

LEADERSHIP TEAM

01 KARLENE MULLINGS
Dip. Finance, BBA (Hons)
Manager,
Sales & Client Relations

02 HEKIMA REECE
ACCA
Business Operations Manager

03 EVETTE BRYAN
MBA, B. Sc. (Hons)
Manager,
Treasury & Trading

04 NICOLE THOMPSON
CFA, FRM, M. Sc.
Manager,
Research & Stockbroking

05 DENISE MARSHALL-MILLER
MBA, BBA (Hons)
Manager,
Bond Trading

06 COLANDO HUTCHINSON
FCA, CFA, B. Sc. (Hons)
Manager,
Asset Management & Corporate Advisory Services

07 DEBBIE DUNKLEY
CA, MBA
Head of Finance

08 VENNESHIA SINANAN-FORDE
ACCA, B. Sc. (Hons)
Finance & Taxation Manager
(Resigned)

09 DEVON BARRETT
MBA, B. Sc. (Hons)
General Manager

VICTORIA MUTUAL WEALTH MANAGEMENT

PRIME ASSET MANAGEMENT LIMITED.

A subsidiary of VICTORIA MUTUAL

Why should you care about retirement? Because time is passing, no matter what you think, do or don't do about it. At Prime Asset Management, we make time work for you. After decades of managing pension plans we know how to create solutions to suit your particular needs. The sooner you start, the easier it will be to have the life you imagine and the experiences your golden years should be all about. Choosing us as your pension partner is an investment in your own happiness. Your future self will thank you for it.

PENSION INVESTMENT MANAGEMENT | PENSIONS ADMINISTRATION
MEMBER EDUCATION | PENSIONS CONSULTANCY | APPROVED RETIREMENT SCHEME (ARS) FOR INDIVIDUALS

LEADERSHIP TEAM

01 CHARMAINE JOHNSON
FCCA
Financial Controller
(Resigned)

02 TAMIEKA REECE
FCCA, M. Sc.., B. Sc. (Hons)
Risk & Compliance Manager

03 JUDI-ANNE MARZOUCA
BBA
Pension Administration Manager

04 REZWORTH BURCHENSON
MBA, B. A. (Hons)
Managing Director

PRIME ASSET MANAGEMENT LIMITED

VICTORIA MUTUAL PROPERTY SERVICES

Victoria Mutual Property Services is your go-to partner once you're ready to buy, lease or rent a home or commercial property. We'll also take care of your valuations so you get the best value, and property management so you'll maintain it. For most of us, our home and our business places are at the centre of our lives, they're where we grow together, and where memories are made and kept, so we work with you to ensure they're the right fit – and investment – for you

REAL ESTATE SALES & RENTALS | VALUATIONS | PROPERTY MANAGEMENT | PROJECT MANAGEMENT

LEADERSHIP TEAM

01 JOAN LATTY
B.Sc (Hons.) Dip. Mgmt. Studies
Manager,
Sales, Marketing and Administration

02 MICHAEL NEITA
MBA, B.Sc. (Hons.), B Eng (Hons)
General Manager

03 GHILENE AYOUB
Finance Manager
(Absent)

VICTORIA MUTUAL PROPERTY SERVICES

VICTORIA MUTUAL MONEY TRANSFER

VMBS Money Transfer Services has the world covered. So no matter where your adventures take you, you can send money back home to cover your expenses and make sure your loved ones are taken care of. Whether you do your transfer online or pop in to any of our international agents, your money gets where it needs to be in a matter of minutes and at the best exchange rate in Jamaica, no less.

DIRECT BANK DEPOSITS | FREE SMS NOTIFICATIONS | VMBS MONEY TRANSFER CARD | BILL PAYMENTS | ONLINE TRANSFERS

LEADERSHIP TEAM

01 SHELLY ANN DOUGLAS
Accounting Officer

02 MICHAEL HOWARD
MBA, B. A. (Hons)
General Manager

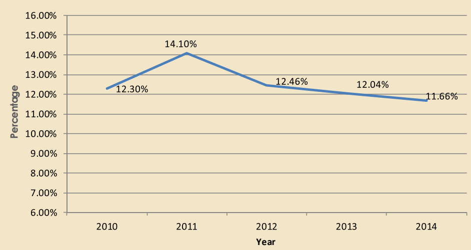
03 KAYON MORRISON
B.Sc.
Operations Supervisor

VMBS MONEY TRANSFER SERVICES

FINANCIAL HIGHLIGHTS

GROUP	2010	2011	2012	2013	2014
Balance Sheet ($'000)					
Earning Assets	61,570,208	69,105,681	74,831,724	81,346,911	88,896,188
Loans	29,452,959	27,541,585	26,667,330	27,169,852	30,925,659
Total Assets	64,147,628	72,315,856	78,509,247	86,178,720	97,302,033
Savings Fund	40,877,499	44,884,480	49,674,876	54,509,776	60,584,397
Capital and Reserves	7,888,237	8,711,798	9,786,003	10,374,320	11,346,756
Income Statement ($'000)					
Net Interest Income	2,955,025	3,198,557	3,342,321	3,523,454	3,740,342
Operating Revenue	3,788,146	3,926,777	4,256,040	4,741,716	4,964,049
Administration Expenses	2,234,069	2,748,687	3,052,214	3,426,657	3,591,933
Surplus before income tax	2,372,725	1,188,953	1,205,426	1,290,395	1,332,220
Surplus	2,053,013	912,882	1,008,448	965,826	1,006,182
Ratios					
Net Interest Margin	4.15%	4.30%	4.28%	4.33%	4.39%
Return on Capital	25.81%	12.35%	11.96%	12.43%	12.27%
Return on Assets	3.27%	1.57%	1.46%	1.50%	1.45%
Efficiency Ratio	3.07%	3.64%	3.71%	3.98%	3.92%
Capital & Reserves as a percentage of assets	12.30%	14.10%	12.46%	12.04%	11.66%

GROUP CAPITAL & RESERVES AS % OF ASSETS



NET INTEREST MARGIN

DEFINITIONS USED

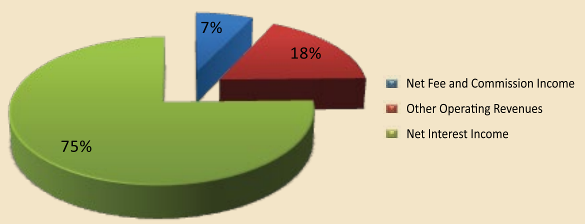
Administrative Expenses	-	Administration + Personnel costs
Earning Assets	-	Cash & Cash Equivalents + Investments + Resale Agreements + Loans + Other Assets
Net Interest Income	-	Interest on loans + Interest and dividends from investments - Interest expense
Operating Revenue	-	Interest on loans + Other operating revenues
Return on Capital	-	Surplus before income tax / Average Capital and Reserves
Return on Assets	-	Surplus before income tax / Average Total Assets
Net Interest Margin	-	Net interest income / Average Earning Assets
Efficiency Ratio		Administration Expenses / Average Total Assets

SOURCES

2010 - 2014 Audited Financial Statements

GROUP OPERATING REVENUE 2014

Net Fee and Commission Income	350,315
Other Operating Revenues	873,392
Net Interest Income	3,740,342



GROUP FINANCIAL PERFORMANCE

Victoria Mutual Building Society in its 137th year continues to provide exceptional financial services to its Members locally and overseas. The Group, with a total on and off-balance sheet asset base of $126 billion (on-balance sheet of $97 billion), provides a wide range of financial services that include savings, mortgages, security trading and brokerage, asset management, money transfer, pension fund management and administration, and real estate services. These services are delivered and supported by over 600 employees, through its 16 branches and subsidiaries locally, as well as representative offices in the United Kingdom, Canada, and the United States. In addition, the Society provides access for its Members and customers to general insurance products and services through its affiliated company.

GROUP SUMMARY OF RESULTS

($'000's)

	2014	2013	2012	2011	2010
Net Interest Income	3,740,342	3,523,454	3,342,321	3,198,557	2,955,025
Other Operating Revenue	1,223,707	1,138,404 *	913,719	728,220	833,121
Total Operating Revenue	**4,964,049**	**4,661,858**	**4,256,040**	**3,926,777**	**3,788,146**
Non-Interest Expenses	3,751,843	3,502,283 *	3,134,390	2,861,768	2,341,168
Operating Surplus	**1,212,206**	**1,159,575**	**1,121,650**	**1,065,009**	**1,446,978**
Gain on Sale of Subsidiary	-	-	-	74,621	925,601
Share of Profits of Associate	120,014	107,875	83,776	49,323	146
Surplus before Income Tax	**1,332,220**	**1,267,450**	**1,205,426**	**1,188,953**	**2,372,725**
Income Tax	326,038	324,569	196,978	276,071	319,712
Surplus after Income Tax	**1,006,182**	**942,881**	**1,008,448**	**912,882**	**2,053,013**

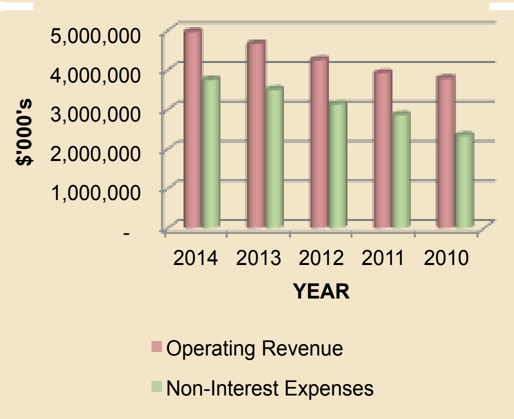
* Restated

The Group recorded an Operating Surplus of $1.212 billion for the year ended December 31, 2014, an increase of $52.631 million or 4.5% above that reported for 2013. The Society's 31.5% interest in BCIC resulted in share of profits for the year totaling $120.014 million.

The Group recorded a surplus before tax of $1.332 billion for the year, which surpassed the 2013 results by $64.770 million. Surplus after tax of $1.006 million surpassed 2013 results by $64.301 million, or 6.7%.

In May 2013, the Society acquired the remaining 82% shares in Prime Pensions St. Lucia Limited (PPL) (which has a 100% holding in Prime Asset Management Limited (PRIME)), facilitated by WESTIN International Insurance Company Limited (WESTIN) by way of a dividend 'in specie' of $525.481 million. However, after further legal review, the amount received was deemed a loan, and resulted in the restatement of the financial results for 2013.

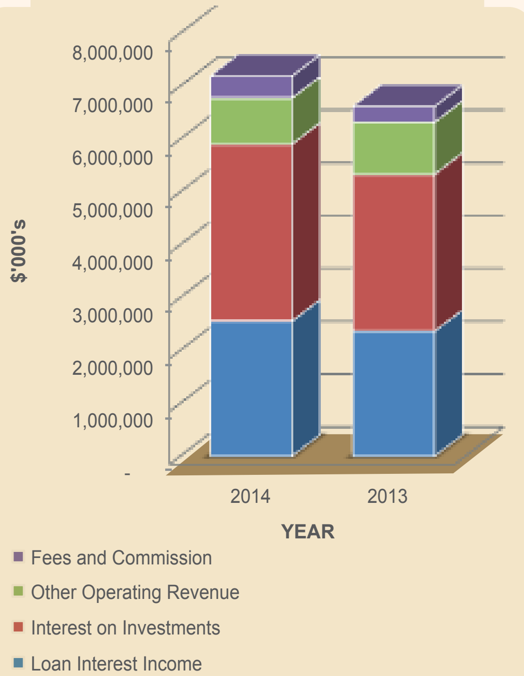
GROWTH IN OPERATING REVENUE & NON-INTEREST EXPENSE



Operating Revenue, which includes Net Interest Income, Net Fee and Commission Income, and Other Operating Revenue, was $4.964 billion for the year, reflecting an increase of $303 million or 6.5% over the 2013 results. This increase was primarily as a result of increase in interest income.

The Group incurred non-interest expenses of $3.751 billion, representing an increase of approximately $250 million or 7.1% year over year

GROUP TOTAL REVENUE 2014/2013

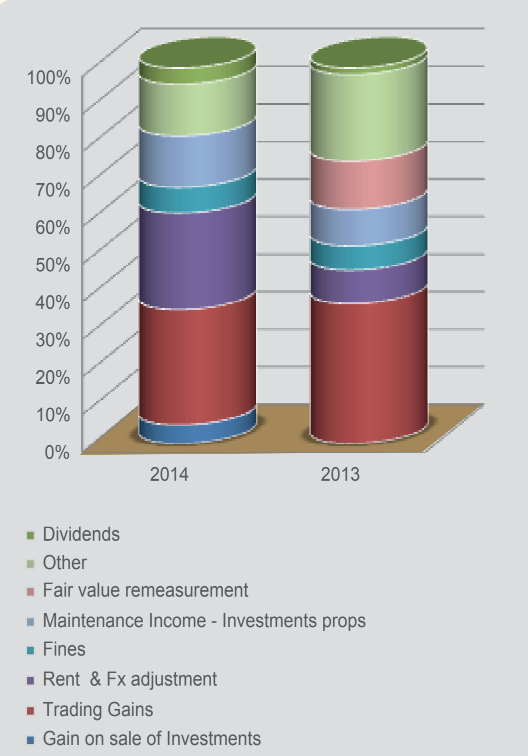


The Group's Total Revenue, defined as Interest Income from Loans and Investments, Fees and Commission Income and Other Operating Revenue, which totaled $7.193 billion for 2014, reflects an increase of $656.345 million or 8.7% when compared to that reported for the previous year.

There was a $194.183 million increase in Loan Interest Income in 2014 as a result of the Society's strategy of maintaining the lowest mortgage interest rates in the market, as well as over $3 billion growth in the mortgage portfolio year over year. There was also a $375.246 million growth in income from investments over that reported for 2013.

Fee and commission income of $416.862 million for 2014, reflects an increase of $119.322 million or 40.1% over the previous year, and includes fees earned from the associate company of $101.940 million. As a result of continued debt collection efforts, the Society's mortgage quality ratio improved from 5.59% in 2013 to 4.63% at the end of 2014.

OTHER OPERATING REVENUE (%) 2014/2013

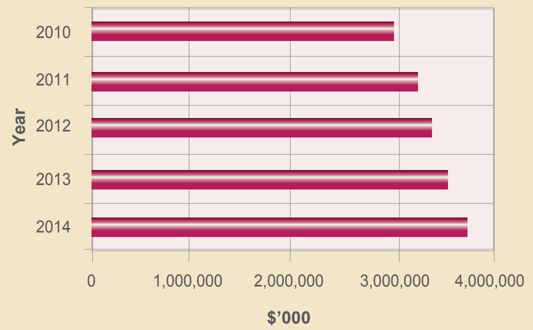


Other Operating Revenue for the year totaled $873.392 million, a reduction of $32.406 million or 3.6% below that reported for 2013. In 2013, the group recorded a one-off gain of $116 million which resulted from the re-measurement of the Group's holding in PPL at acquisition.

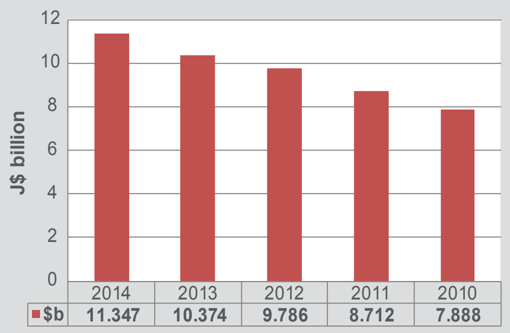
NET INTEREST INCOME

In 2014, the Group's Net Interest Income increased by 6.2%, to end the year at $3.740 billion. Total Interest Income was $5.902 billion, an increase of $570 million over that reported in 2013. This resulted from an increase in interest on investments of $375.246 million, an increase of 12.6%; and loan interest income of $194.183 million or 8.2% over that reported for 2013. Interest expense in 2014 was $2.162 billion, an increase of $352.541 million or 19.5% over that reported for 2013.

NET INTEREST INCOME 2010 - 2014



GROUP TOTAL CAPITAL & RESERVES



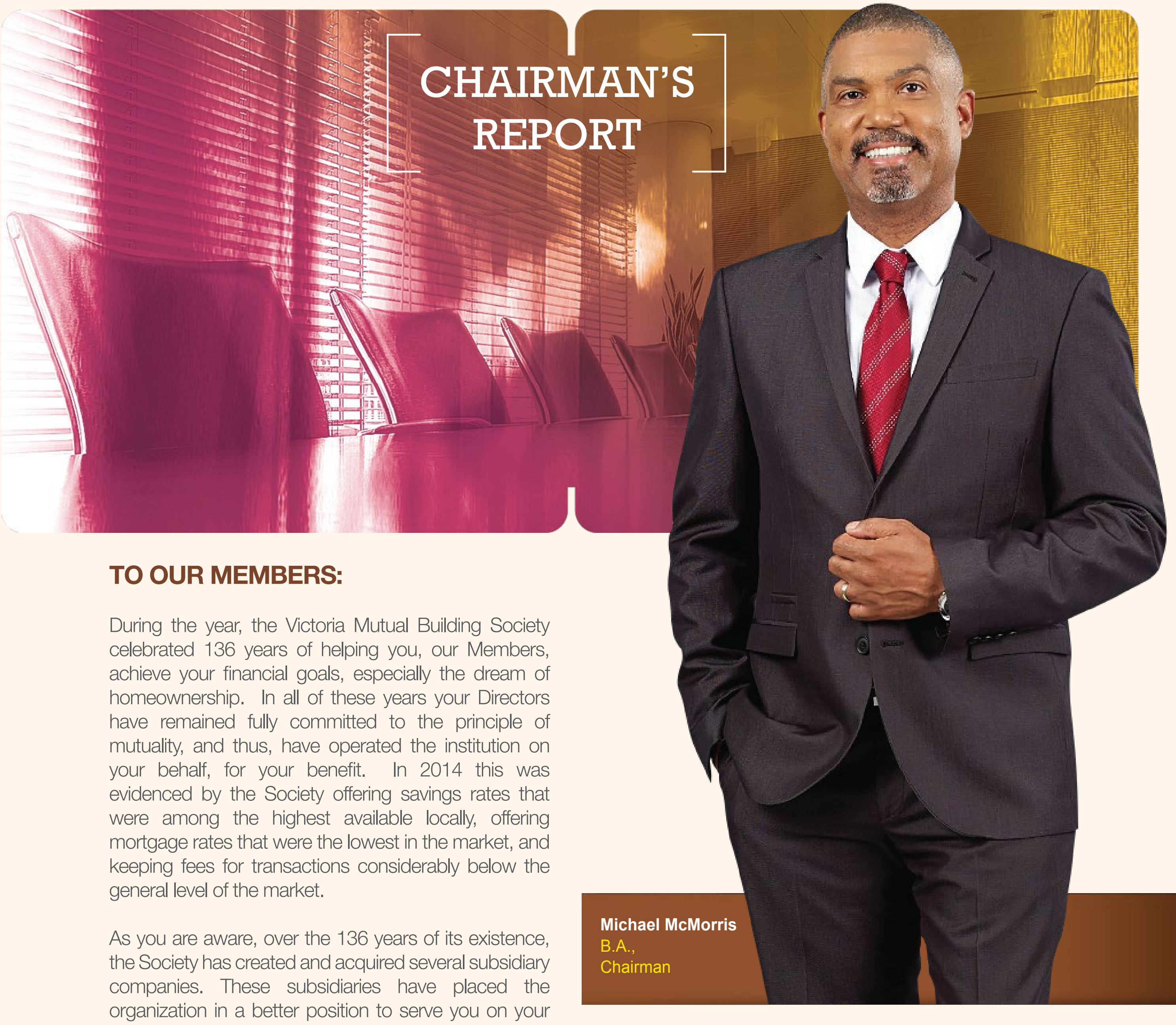
FUNDING

Despite the challenging environment, our Members and customers continued to recognize the value of the Groups' services which resulted in the $7.025 billion or 11.2% increase in the savings portfolio. During the year, keen attention was placed on the macro-economic environment and the Group positioned itself to respond to changes in market interest rates. The Group continued to develop and implement strategies to retain and increase funding obtained from Members and customers by way of savings and repurchase agreements. There was a $3.1 billion growth in Off-Balance Sheet assets in 2014.

CAPITAL

The Group's total Capital & Reserves grew by 9.3% from $10.374 billion to $11.347 billion in 2014. The Society transferred $394.413 million to the Permanent Capital Fund, $88.268 million to the Reserve Fund, $400 million to the Retained earnings reserve as well as increased its Deferred shares by $1.13 billion. This resulted in an increase in the Society's capital base of 21.9%.

CHAIRMAN'S REPORT



Michael McMorris
B.A.,
Chairman

TO OUR MEMBERS:

During the year, the Victoria Mutual Building Society celebrated 136 years of helping you, our Members, achieve your financial goals, especially the dream of homeownership. In all of these years your Directors have remained fully committed to the principle of mutuality, and thus, have operated the institution on your behalf, for your benefit. In 2014 this was evidenced by the Society offering savings rates that were among the highest available locally, offering mortgage rates that were the lowest in the market, and keeping fees for transactions considerably below the general level of the market.

As you are aware, over the 136 years of its existence, the Society has created and acquired several subsidiary companies. These subsidiaries have placed the organization in a better position to serve you on your journey towards financial independence, as these entities have enabled the widening of the range of products and services available to Members and customers. In addition to mortgage loans and the variety of savings products offered by the Society, Victoria Mutual (Property Services) Limited offers real estate brokerage, property management, and property valuation services; Victoria Mutual Wealth Management Limited offers asset management, investment advisory services and securities trading; Prime Asset Management Limited offers pensions management and pensions administration services; and VMBS Money Transfer Services Limited offers the distribution of remittances through a wide network of agents island wide.

The Victoria Mutual Building Society and all of its subsidiaries enjoyed a successful year as a Group in 2014. Total Assets of the Group (including managed client funds) grew by 12.7% to end the year at $125.9 billion, and the Group recorded an After Tax Surplus of $1.0 billion on a consolidated basis . This was 6.7% higher than the level of surplus achieved in 2013, as restated. In considering these reported surpluses, it must be borne in mind that they have been achieved after the return of considerable pricing benefits to its Members by the parent Society, by way of higher savings rates, lower mortgage rates, and "no or low" transaction fees and service charges.

Other performance highlights recorded in 2014 were:

- **Mortgage disbursements in the Society were up 74% over the previous year to $5.72 billion;**
- **The Society's deposit liabilities increased by 11.8 % to $70.7 billion;**
- **The Loan Quality of the mortgage portfolio improved, as loans in arrears greater than 90 days as a percentage of total mortgage loans, fell from 5.59% to 4.23%**
- **The Operating Efficiency of the Building Society improved as operating expenses as a percentage of mean assets fell from 4.16% to 3.89%**

- **Among the subsidiaries, the performance by the team at VM Wealth Management (VMWM) was truly praise-worthy with a 61.5% increase in profit after tax to $236.7 million, resulting from diversification of its product lines and expertise.**
- **Prime Asset Management, our newest subsidiary, also showed improvement recording profit after tax of $38.0 million in 2014 compared with $25.5 million earned in the 9 months immediately after acquisition.**

Your Directors are pleased with the performance of the Group in the year under review, especially when viewed in the context of the difficult operating environment which prevailed throughout the year. The economic landscape was heavily influenced by the strictures related to the medium term economic program being pursued by the Government; the regulatory environment saw several changes, the most challenging of which was the imposition by the Government of the United States of America on foreign financial institutions, of the requirement to submit reports to the US tax authorities on the financial holdings and earnings of "US persons"; and, the competitive environment grew exceedingly more intense as financial intermediaries sought to increase market share in a stagnant market characterized by decreasing margins and increasing operating costs.

In 2014, we also saw the local enactment of the Banking Services Act which seeks, inter alia, to lay the basis for consolidated supervision of the deposit taking sector. It is expected that the new legislation will become effective with the promulgation of the Regulations under the Act in the third quarter of the 2015 calendar year. Whereas we appreciate the necessity to safeguard the integrity of the financial system against systemic risks, the Directors and Management are concerned about the ever increasing cost of regulation and compliance that are being imposed on the institution, especially so in the context of the prevailing operating environment.

During the year, the economic and fiscal policies and programmes pursued by the Government were influenced greatly by the dictates of the medium term economic programme agreed with the International Monetary Fund (IMF) under an Extended Fund Facility. The fiscal and monetary targets were challenging, but as at the end of June 2015 the country had passed all eight of the IMF quarterly reviews. This performance opened the door for the country to secure much-needed funding from the International Monetary Fund and other multi-lateral institutions.

The adherence to the programme targets including the structural reform elements has paved the way for marginally increased economic activity, significantly lower inflation (which was assisted by lower oil prices), lower interest rates, and relative stability in the foreign exchange market. As a consequence in the calendar year 2014:

- **The Jamaican economy grew by 0.4% , compared with 0.2% in 2013,**
- **The inflation rate fell to 6.4% from the level of 9.5% recorded in 2013,**
- **The 180-day Treasury Bill rate moved from 8.25% at the beginning of the year to 7.14% by the end of the year, and**
- **The local currency depreciated by 7.8% against the US dollar to end the year at JMD 114.66 to USD 1. This compares favourably with the depreciation rate of 12.7% experienced the previous year.**

Your Directors are of the view that the guarded optimism that we expressed at the same time last year has been justified and that the country's prospects for economic recovery are significantly better than they were a year ago. However, there is still a long way to go and ultimate success is still highly dependent on the resolve of the Government and all stakeholders. We must together exercise the understanding, commitment and discipline necessary to realize the medium and long term benefits of the economic reform programme and find a path to sustainable national growth sooner rather than later.

Richard K. Powell
MBA, M.Sc, B.Sc. (Hons.),
President & Chief Executive Officer

CORPORATE GOVERNANCE

Victoria Mutual is fully committed to achieving best practice in corporate governance. To this end, principles, practices and processes have been established to ensure that the Group is managed well and held to the highest ethical standards.

The Corporate Governance Framework that has been adopted requires Boards and Board Committees to provide direction and oversight for the Group. The Society and each of its subsidiaries are directed by a Board of Directors, and Standing Committees of the respective Boards provide oversight in the areas of:

a) **Audit and Compliance;**
b) **Finance, Investments and Loans;**
c) **Risk Management; and**
d) **Corporate Governance, Nominations and Compensation.**

Each of these Committees is comprised exclusively of non-executive Directors and is required to convene meetings and report to their respective Boards at least quarterly.

The following section provides a summary of the purpose and the scope of the mandates of each of the Standing Committees of the Society's Board of Directors.

The Audit and Compliance Committee

The primary purpose of this Committee is to assist the Board of Directors in fulfilling its accountability for the efficient and effective oversight in the following subject areas:

a) **The integrity of the Society's financial statements;**
b) **The Society's compliance with legal and regulatory requirements;**
c) **The independent auditor's qualifications and independence;**
d) **The performance of the Society's internal audit function and the independent auditors; and**
e) **Internal controls and the operational environment.**

The Committee also provides oversight of the audit function of all subsidiary companies of the Society, in addition to performing its substantive role as the Audit Committee of the Building Society.

The Finance Investments and Loans Committee

This Committee assists the Board of Directors in fulfilling its responsibilities for overseeing the management of:

a) **The financial performance of all entities within the Group;**
b) **The allocation of the Group's capital;**
c) **The assessment and conduct of due diligence for potential major transactions within the Group;**
d) **The monitoring of the performance, funding and adequacy of the pension scheme(s) operated by the Group;**
e) **The investment and loan portfolios of the Building Society including the review and approval of significant loans and extensions of credit. In this regard the Committee receives reports from and oversees the work of the Group Asset/Liability and Credit Committees of the Management.**

The Risk Committee

The Risk Committee is charged with the responsibility of ensuring that appropriate policies, procedures and strategies are established and implemented on an enterprise-wide basis for managing the Group's risk exposures.

The Committee monitors the risk framework of the Group and provides assistance to the Board in undertaking the following functions:

a) **Definition of enterprise risk appetite and the development of a policy framework to guide the design of a robust risk management system;**
b) **Review and evaluation of the Group's risk exposures;**
c) **Development and maintenance of an effective risk management culture; and**
d) **Monitoring the risk identification, measurement, monitoring and control processes.**

The Governance, Nomination and Compensation Committee

The mandate of this Committee to assist the Board of Directors in fulfilling its responsibilities for:

a) **Designing an effective corporate governance framework, undertaking periodic reviews and making recommendations for reform, if necessary, to ensure the practice of good corporate governance;**
b) **Identifying qualified candidates for nomination to the Board and for service on committees of the Board; recommending changes in Director compensation to the Board; evaluating candidates for appointment to the position of Chief Executive Officer (CEO) of the Society and making recommendations to the Board in that regard; and assisting the CEO in selecting suitable candidates for appointment to senior management positions in the Group;**
c) **The formalization and oversight of senior management compensation programmes for all business units to ensure that compensation is consistent with the objectives, strategy and the control environment;**
d) **The formulation and oversight of performance incentive systems for all business units;**
e) **The establishment of a policy framework to deal with related party transactions and conflicts of interest;**

FINANCIAL HIGHLIGHTS

The Group

The Victoria Mutual Group is committed to the fulfilment of its core mandate of assisting its Members and customers to achieve financial independence. To that end, the Group offers myriad products and services provided by a team that is committed to giving sound advice and delivering a great experience with each and every interaction. The products and services on offer include a variety of savings instruments, mortgage loans, investment advisory services, securities trading, pensions management, pensions administration, money transfer services, real estate brokerage, property management, property valuations and general i
nsurance.

Financial highlights of the Group's performance over the period 2012 to 2014 are shown in the table below:

HIGHLIGHTS OF VICTORIA MUTUAL GROUP'S PERFORMANCE			
	2012	2013*	2014
Pre-Tax Surplus ($M)	1,205.4	1,267.5	1,332.2
After-Tax Surplus ($M)	1008.4	942.9	1006.2
Total Assets ($B)	78.5	86.2	97.3
Net Interest Margin (Net Interest Income as % of Mean Interest Earning Assets)	4.64	4.51	4.30
Operating Expenses (as % of Mean Assets)	4.05	4.09	3.92
Capital & Reserves (as % of Assets)	12.46	12.04	11.66
Restated			

Over the course of 2014, the Group increased its assets on a consolidated basis by 12.9% to end the year at $97.3 billion. This growth in assets was supported by adequate levels of capital. At the end of the year, the ratio of capital and reserves to total assets was 11.7%, a level that significantly exceeds the standard set by the regulators.

For the year, the Group recorded Surplus after Tax of $1.0 billion, representing an increase of 6.7% over the previous year, as restated. Your Directors view this out-turn as commendable, particularly given the very competitive environment in which the Group operates and the continued challenging economic environment.

The Society

During 2014, the Society continued to pursue its mission to create value for its Members and to return as much of the value created as prudent, to Members by way of pricing benefits. Accordingly, your Society was unrelenting in offering savings rates that were among the highest available locally, offering residential mortgage rates that were the lowest in the market, and keeping fees for transactions at minimal levels, significantly below the market. In fact, VMBS continued to offer its Members the use of its debit cards free of charge at any ATM operated by a Commercial Bank, Building Society or Credit Union or any point-of-sale terminal on the Multilink network. In the opinion of your Directors, the Building Society recorded good financial results in 2014. In the context of distributing value to Members as described above, it achieved an After-Tax Surplus of $978.8M. This was 23.1% above the level of $795 million (restated) recorded for 2013. The restatement of the 2013 result arose from the reclassification of $525.5 million that was received from a subsidiary and originally accounted for as a dividend. However, after further legal review, the amount received was deemed to be a loan leading to the need for restatement. As a result, the After Tax Surplus for 2013 is now recorded as $795 million, having previously been reported as $1.325 billion.

Net Interest Income rose by 10.7% in 2014 to $3.475 billion. This outcome was the result of an increase in interest income of 12.6% in tandem with an increase in the interest expense of 17.1%.

The Management continues to focus on efficiency as a key driver of the sustainability of the Society's business. The Efficiency metric, as defined later, attained a level of less than 4% in 2014 for the first time. The containment of administration expenses is of vital importance in this regard. The overall cost of administration increased by 8.0% in 2014, moving from $2.824 billion to $3.048 billion. The personnel cost component, net of the reduction in the liability for the Defined Benefit Pension Plan, increased by 4.6%, rising from $1.443 billion in 2013 to $1.508 billion in 2014 and Other Operating Expenses net of "Loss on sale of investments" and "Unrealised foreign exchange loss" increased by 11.5% from $1.381 billion to $1.540 billion. The main contributors were Overseas Business Development which increased by 24.9% and Maintenance of Buildings, Furniture and Fixtures which increased by 29.0%.

The Society continued to grow in a prudent manner during 2014. Total Assets rose by 13.7% to end the year at $83.3 billion, and as at the end of 2014 the ratio of Capital and Reserves to Total Assets was 10.5%, appreciably above the level of 6% required by the regulators.

HIGHLIGHTS OF THE SOCIETY'S PERFORMANCE	2012	2013*	2014
Pre-Tax Surplus ($M)	844.1	1,069.8	1,232.0
After-Tax Surplus ($M)	714.0	795.1	978.8
Total Assets ($B)	67.2	73.3	83.3
Total Loans ($B)	26.7	27.2	30.9
Deposit Liabilities ($B)	58.2	63.2	70.7
Net Interest Margin (Net Interest Income as % of Mean Interest Earning Assets)	4.94	4.77	4.73
Operating Expenses (as % of Mean Assets)	4.39	4.16	3.89
Capital & Reserves (as % of Assets)	11.19	10.99	10.54
**Restated*			

Savings

During the year, the Society's deposit liabilities rose by 11.8% to $70.7 billion. This sound performance was made possible by the competitive rates and attractive products offered by the Society and the many initiatives undertaken to improve service to M embers and customers. This led the Society to increase its market share among local building societies and commercial banks from 8.4% to 8.7% over the course of the year.

The "Seven Keys" promotion, which was held in the second half of the year, also played a role in increasing the Society's savings base. The campaign was designed to attract new Members, encouraging them to choose Victoria Mutual as their partner in achieving financial independence. It was also designed to reward existing Members for their loyalty and increasing their savings balances.

Mortgage Loans

In 2014, the Society disbursed a total of $5.72 billion in mortgage loans. This represented an increase of 74% when compared to the previous year. Also, during the year, a total of $2.46 billion was received by way of principal repayments. The net effect was an increase in the size of the Society's mortgage portfolio to the extent of $3.26 billion or 12.5%.

This solid performance is underpinned by the Society's commitment to providing a superior value proposition in order to facilitate home ownership by its Members. During the year the Society continued to offer the lowest interest rates on residential mortgages in Jamaica, together with no commitment or processing fees. In addition, the Society has a competent team that is dedicated to assisting Members as they strive to achieve their dream of home ownership and Financial Independence. Accordingly, your Directors are confident that there exists a solid foundation for the continued growth of the loan portfolio.

Mortgage Loan Portfolio Quality

We are pleased to report that the quality of the Society's mortgage loan portfolio continued to improve in 2014. The loan portfolio quality, measured as non-performing mortgage loans (loans greater than 90 days in arrears) as a percentage of total mortgage loans, moved from 5.59% at the beginning of 2014 to 4.23% at the year's end.

This continued improvement was a direct result of a range of initiatives implemented by the Management. These included the engagement of Members experiencing difficulties in meeting their monthly mortgage payments and working with them to arrive at solutions designed to enable them to retain ownership of their homes. In spite of our best efforts, however, the Society had to resort to foreclosure proceedings in the case of chronic delinquencies. Foreclosure procedures were completed in relation to six (6) non-performing loans in 2014 in comparison to ten (10) in 2013.

Efficiency

The Society continues to pursue initiatives aimed at transforming existing business processes to make them more efficient and customer friendly. During 2014, the Society continued to invest in a number of projects designed to streamline the operations, automate manual processes and improve customer experience. The investments in this area of the operations will continue through 2015 and beyond. These projects, as well as other projects and initiatives implemented in previous years, are already having a positive impact on the Society's efficiency. The manifestation of that improvement is the continuing improvement in the Efficiency metric viz. Operating Expenses as a percentage of Mean Assets, which moved from 4.16% in 2013 to 3.89% in 2014.

Subsidiary Companies & Affiliates

The Society owns a number of subsidiaries and has a significant investment in one affiliate: British Caribbean Insurance Company (BCIC). These entities play an important role in complementing the offerings of the Society and in helping its Members to achieve financial independence.

The key financial results of the Society's operating subsidiaries are presented in the table below.

AFTER TAX PROfiT FOR SELECTED SUBSIDIARIES (IN MILLIONS OF JAMAICAN DOLLARS)			
	2012	2013	2014
VM Wealth Management Ltd.	143.71	146.58	236.76
VM Property Services Ltd.	2.70	3.19	-0.48
VM Money Transfer Services Ltd.	16.66	26.77	11.64
Prime Asset Management	27.8*	25.48**	38.05

**For the twelve months ended March 31, 2012*
*** For the nine months ended December 31, 2013*

Victoria Mutual Wealth Management Limited

Victoria Mutual Wealth Management (VMWM) performed admirably in 2014. Profit after tax increased by 61.5%, moving from $146.58M to $236.76M. This was mainly due to a 35.6% increase in Other Operating Revenue, as Net Interest Income remained flat at $314.824 million (2013 - $ 314.298 million). The principal contributors to the enhanced performance were Gains from Investment Activities which contributed a net increase of $88.075 million, representing a year over year increase of 128.4% and Net Fees and Commissions, which increased from $58.433 million to $126.211 million or 116.0%.

These results represent a resounding endorsement of the leadership and strategy to diversify the business and income streams of the Company, thereby reducing its dependence on Net Interest Income and the attendant risks of that source of income. VMWM has made significant strides in the promotion of its advisory services business. This line of business involves the provision of assistance to clients desirous of raising capital from the debt and equity markets. During the year VMWM assisted several clients in a number of successful capital raisings, including an initial public offer on the Junior Stock Exchange. Additionally by year end, third party client funds managed by the Company grew by 48.6% from $2.88 billion at the start of the year to $4.28 billion at year-end

Accordingly, the Company continues to focus on developing its advisory services, brokerage, and securities trading lines of business as well as growing its off balance sheet book of business.

In 2015 the Company intends to launch additional investment products that will provide clients with exciting new options for investing, and at the same time, enable the Company to continue the growth of its off balance sheet business.

Victoria Mutual (Property Services) Limited

Victoria Mutual (Property Services) Limited (VMPS) provides real estate brokerage and valuation services to Members and customers. These services complement the Society's core business line of providing mortgages. VMPS also provides critical support to the Society by managing its real estate holdings.

The Company experienced a decline in profit performance in 2014, sustaining an After Tax Loss of $0.48 million (versus a profit of $3.1 million in 2013). Net revenues of $70.386 million (2013 - $70.772 million) were essentially unchanged year over year, whereas the Company recorded a 10% increase in operating expenses moving from $66.763 million in 2013 to $73.576 million in 2014. The resulting pre-tax deficit of $3.189 million was partially offset by a tax credit in the amount of $2.713 million.

The immediate prospects for revenue enhancement of the Company are limited in the short term to expansion in its real estate brokerage and valuation lines of business. A number of initiatives have been taken in that regard and in addition, several measures are being taken to improve operational efficiency. The expectation is that the impact of these measures will be partially reflected in the 2015 results and that the full year impact of these measures will be evident in the 2016 profit performance.

VMBS Money Transfer Services Limited

VMBS Money Transfer Services Limited (VMTS) recorded Profit After Tax of $11.64 million in 2014, a decline of 56.5% when compared with the previous year. This decline was mainly attributable to a 50% decline in exchange gains arising from a reduction in the aggregate remittance values, in the context where the local currency depreciated at a much slower pace against the US dollar and Pound Sterling in 2014 than it did in 2013.

The Management has initiated a number of measures designed to restore the prior level of profitability as well as the previous trend of annual increases in profitability. In December 2014, the Company in collaboration with its parent Society launched a Money Card. This card affords the beneficiaries of remittances sent through VMTS, the convenience of collecting their remittances at any ATM on the Multilink Network. In addition, the card can be used to make payments to merchants for the purchase of goods and services using existing point of sale terminals on the Multilink Network.

In March 2015, the Company entered into an alliance with MoneyGram to disburse remittances originated at any point in the MoneyGram collection network overseas. This alliance is expected to result in considerable growth in transaction volumes and values and will provide a significant boost to both transaction fee income and foreign exchange gains, with consequential increases in profits.

Prime Asset Management Limited

In May 2013, the Victoria Mutual Group acquired the remaining outstanding shares in Prime Pensions Limited, moving its ownership stake in that entity from 18% to 100%. Prime Pensions Limited is the parent company of Prime Asset Management Limited (PRIME), the latter of which has been providing pension fund investment management and pension administration services in Jamaica for the last eighteen years. PRIME performed well in 2014 recording Profit After Tax of $38.0 million, compared with $25.5 million for the nine months ended December 31, 2013. Moreover, its funds under management grew by 7.5% to end the year at $24.3 billion.

The Company has commenced the process of upgrading its investment management and administration systems, which will allow for greater scalability and even better client service. These investments are designed to accommodate expected business growth, and lay the basis for increased efficiency and profitability.

British Caribbean Insurance Company Limited

Our affiliated company, British Caribbean Insurance Company Limited (BCIC) continued to provide good risk adjusted returns in 2014. Based on its performance and the Society's 31.5% ownership stake, the Society received dividends totalling $120.0 million from the company in 2014, compared with $80.0 million in the prior year.

CONCLUSION & OUTLOOK

The VM Group performed well in 2014. On a consolidated basis, the Society and its subsidiaries recorded Surplus After Tax of $1.0 billion, representing an increase of 6.7% over the previous year. In addition, the Society continued to provide value to Members by way of favourable rates, fees and charges. Savings rates were among the highest available locally, mortgage rates were among the lowest in the market, and fees for transactions were considerably below the general level of the market. This performance was achieved in an environment of intense competition and a lack of meaningful growth in the local economy.

However, important strides were made in the Jamaican economy in 2014. Although the growth rate was anaemic, there was increased economic activity, inflation and interest rates were lowered, and there was relative stability in the foreign exchange market. By the end of the year, consumer confidence and business confidence were at the highest levels since 2012. These factors supported by the fiscal discipline that has been exhibited by the Government and the important structural reforms which were undertaken during the year, provide the basis for a reasonable expectation of progressive improvements in the country's economic performance and a general improvement in the operating environment.

In fact, the IMF has estimated that growth should reach 2% in 2015/2016, and that inflation should trend down further. With the expectation that the Government will continue to manage its fiscal affairs responsibly, the country should see a lowering of interest rates and continued stability in the foreign exchange market. This would provide a solid foundation for increased private sector investment and improve the prospects for sustainable economic growth over the medium term. However, the path to achieving this will require the Government to be resolute, and to maintain a delicate balance so that the society remains willing to sacrifice and lend support in the face of the near term challenges posed by austere policies and programmes.

It is in this light that your Directors continue to maintain a posture of cautious optimism regarding the near term prospects for Jamaica, and we believe that the operating environment and the financial markets in which the entities within the Group operate will continue to show gradual improvement in 2015. The Group intends to use this to its advantage, and continue to grow its business lines in a prudent manner.

In addition to promoting the growth of each of its business lines, the Group will continue to execute projects and initiatives geared towards enhancing customer experience. This thrust will include the provision of a wider array of products delivered and serviced in more customer friendly and convenient ways. A number of these projects will therefore be designed to achieve enhanced service delivery and greater efficiency.

The Group will also launch a major initiative in 2015, to position Victoria Mutual in the public domain as the Home of Financial Independence. This initiative is intended to clarify and elaborate Victoria Mutual's core mandate of being the preferred financial partner in assisting Members and customers in achieving financial independence, through a process that incorporates home ownership. The process involves a structured approach using planning, goal setting, tracking and financial tools, and expert advice together with individually customised packages of savings, loans and investment products to achieve financial sustainability. The process offers the added dimension of the flexibility of continuous review and updating, as individuals progress through their respective life cycles and is expected to broaden our appeal across all demographics. We look forward to rolling this out in the second half of 2015.

I would like to take this opportunity to commend the Team Members of the Victoria Mutual Group for their continued dedication and commitment to excellent service delivery. I would also like to thank the members of the Board of Directors of the Society and its subsidiaries as well as members of the Society's Advisory Councils for their valuable contributions. Finally, I would like to thank you, our Members and customers, for your continued support, and for choosing Victoria Mutual to be your partner in achieving financial independence.

CORPORATE SOCIAL RESPONSIBILITY 2014

Victoria Mutual is not just passionate about partnering with our Members and clients to create financial independence through the achievement of their life goals, but we are also committed to fostering growth and community development through our Corporate Social Responsibility activities. We believe that the private sector has an important role to play in Nation Building through contributing not just money but our time to facilitate growth.

In 2014 we continued to support signature projects aligned with community development, nation building, education, sports as well as socio-civic activities. The Group where possible, also made one off donations and in kind contributions to other worthy causes and initiatives.

NATION BUILDING & COMMUNITY DEVELOPMENT

The National Leadership Prayer Breakfast (NLPB)
The Victoria Mutual Building Society (VMBS) has been the title sponsor for the National Leadership Prayer Breakfast for over 30 years. We continue to partner with the NLPB Committee for this event, as it is one of the major platforms that promote unity specifically among the nation's leaders at all levels, through prayer, in our quest to become a great nation.

For 2014, the NLPB theme "Courageous Leadership for Challenging Times" signalled the importance of strong, staunch individuals being able to lead effectively through difficult conditions. Specifically, the Prayer Breakfast encouraged our leaders in all spheres to stand firm despite the negative forces, as they worked together to lead the country on its path to achieving its developmental goals.

Bishop Dr. Delford Davis (centre) holds the hands of Prime Minister Portia Simpson Miller and Andrew Holness, Leader of the Opposition during the 2014 National Leadership Prayer Breakfast

A section of the room at the National Leadership Prayer Breakfast holds hands in prayer for the Nation.

The National Leadership Prayer Breakfast Committee (NLPBC) handed over a cheque valued at J$400,000.00 to the Committee for the Upliftment of the Mentally Ill (CUMI) in a small ceremony at our Corporate Office in March. The cheque represented donations received at the 34th National Leadership Prayer Breakfast.

Speaking at the Handover Ceremony, Richard Powell, President and CEO of the Victoria Mutual Group, commended CUMI for the tremendous work it has been doing for the mentally ill.

"CUMI, you have truly provided a shining example of courageous leadership for your fellow Jamaicans. A true advocate and caregiver, we can all learn from your commitment to those who have been rejected by society, as you have persisted in your efforts to provide them with care and protection."

Mrs. Joy Crooks, Nurse and Administrator of CUMI, in receiving the donation said "we express great appreciation to the National Leadership Prayer Breakfast Committee and Victoria Mutual for this donation. We look forward to how our activities can be truly enhanced and sustained with the help of this generous donation. "

Joy Crooks, Nurse and Administrator of the Committee for the Upliftment of the Mentally ill (CUMI), is all smiles as she accepts the donation of J$400,000.00 from the National Leadership Prayer Breakfast Committee (NLPBC) and the Victoria Mutual Building Society (VMBS) on March 21st. Participating in the presentation are (L-R) Rev. Dr. Stevenson Samuels, Chairman of the NLPBC; Janice McKenley, Senior Vice President and Group Chief Financial Officer, Victoria Mutual Group, and Richard Powell, President and CEO, Victoria Mutual Group.

Governor-General Achievement Awards (GGAA) Programme

Since 1991, under the patronage of the late Sir Howard Cooke ON, GCMG, GCVO, CD, KSt.J the Governor - General Achievement Awards has been recognizing Jamaicans 35 years and older for their selfless contributions to the upliftment of their communities. The programme has since expanded to include youth ages 18 to 35 for excellence in academia and voluntary service, as well as individuals in the Diaspora who are making significant contribution to Jamaica and in their host country. In February 2014, the GGAA and the 'I Believe Initiative' were merged to create the Governor-General's Programme For Excellence (GGPE). The GGAA Programme however continues to maintain its distinct identity.

Victoria Mutual (VM) has been a sponsor of the GGAA since its inception based on our mandate of contributing to community development, a key aspect to building a better Jamaican society. For 2014 a total of four (4) GGAA ceremonies were held, one for each county - Cornwall, Middlesex and Surrey - and a culminating presentation ceremony on the lawns of King's House.

Victoria Mutual delivered sponsor remarks at the County of Surrey Ceremony held at the Eden Gardens Wellness Resorts and Spa. A total of 12 individuals from the five Surrey parishes were honoured. They were Shanese Watson, Tameka Hue-Hamilton and Pansy Murphy from St Thomas; Shanique Rogers, Kemoy Phillips and Novlet Chambers, from Portland; Joel Nomdarkham, Lauren Marsh and Rev Dr Venice Guntley-Mckenzie, from St Andrew; and Anthony Stephens, Kerry-Ann Barrett, Alfred Grant, from Kingston.

Governor-General, His Excellency the Most Hon. Sir Patrick Allen (left), presents a plaque to Shanique Rogers from Portland, at the Governor-General's Achievement Awards ceremony for the county of Surrey.

His Excellency the Most Hon. Sir Patrick Allen addressing the audience at 2014 GGAA Awards for the County of Surrey.

2014 Marriage and the Family Series

A firm believer in the institution of marriage, strong families and stable homes being the cornerstone of a successful society, VMBS in 1987 coined our Marriage and Family Series aimed at underlining and providing solutions to the issues faced in relationships and family.

For the 28th staging, the annual series was held under the theme **Can We Really Have It All?** and emphasized balancing an enriching personal life which includes love, parenting, family life, and financial independence with a successful professional life. The event saw experts speaking on the topics: Keeping the Love Alive: Is Your Love Language Lost in Translation?, Parenting: A Delicate Balancing Act?, Building Financial Independence in a Challenging Economy and Choosing a Career Path: Blazing New Trails. The presentations were interspersed with discussions, seminars, a bridal and career fashion show and live entertainment.

Couples from the audience working together during the games segment of the show.

Conroy Rose, Assistant Vice President, Sales and Service, (Eastern Region) VMBS (left) answers a question posed by Emcee Paula Ann Porter Jones (right) during the panel discussion on "Building Financial Independence in a Challenging Economy." Listening intently are other Members of the Panel Allison Morgan: Branch Manager, VMBS Liguanea (1st left) and Andrea Bicknell Branch Manager, VMBS Half Way Tree (1st right).

Looking Dapper! Lyon Crosdale shows off his corporate style

Having a good time! Lesa Robinson, Manager, Processing Department Victoria Mutual struts down the catwalk in her corporate wear

Simply Beautiful: Team Member Martina Allen models an off-the-shoulder dress from the fabric of choice for wedding gowns in 2014...lace!

Labour Day 2014

Victoria Mutual joined the nation in its stance to protect our environment as an active participant in the 2014 Labour Day Project under the theme "Take a Stand… Beautify Our Land."

The National Project was carried out at the Portmore Climate Change Park and formed part of the country's sustainable development agenda. The Victoria Mutual Team was out in their numbers to assist with clearing of land, bushing and the planting of trees for the National Project. We also relished the opportunity to make a donation to the tune of J$350,000 in support of the National Project.

Our Team also participated in labour day activities at the Golden Age Home.

(L-R) Janice McKenley, Senior Vice-President & Group Chief Financial Officer, Victoria Mutual presents a donation valued $350,000 to former Principal Director of Culture in the Ministry of Youth and Culture and Chairman of the National Labour Day Committee Dahlia Harris in support of the 2014 National Labour Day Project at the VMBS Corporate Office on May 19th .

#VMProud volunteers participating in the Victoria Mutual Labour Day Project at the Golden Age Home 'Block E'

Team Work! Victoria Mutual Volunteers doing construction work.

#VMProud Team Member participating in the National Labour Day Project at the Portmore Climate Change Park.

EDUCATION

For the past 29 years Victoria Mutual has contributed to our Savers acquiring a sound education. This is because we whole heartedly believe that an educated populace is necessary for the development of any nation. Since 1985, Victoria Mutual has contributed to the educational aspirations of over 1,600 student savers through our Victoria Mutual Head Start Scholarship Programme.

VMBS Head Start Scholarship Programme

An offshoot of the VMBS "School Savings Programme", the Head Start Scholarship plan emphasizes the importance of saving and financial prudence from an early age. In twinning the scholarship offerings with saving, we also aim to indicate that acquiring quality education is one tool needed to becoming financially independent in the future.

Students qualify for the scholarships through academic achievements and being a VMBS Member. For some awards community involvement is also considered.

Seventy (70) persons were awarded scholarships in 2014. Categories of awards under the programme include the VMBS GSAT "Head-Start" Bursary, which is open to GSAT students in preparatory, primary and all-age schools; VMBS 'Junior Plan' Head-Start Scholarship, a five year scholarship which is offered to the top GSAT student in each county transitioning to secondary-level education; the VMBS Future Plan 'Head-Start' Scholarship which has a 3 year tenure and is awarded to three students towards their local tertiary education; VMBS Master Plan "Head-Start" Scholarship for a student pursuing final year studies at a local university and the VMBS Teachers' Bursary awarded to Teachers who are members of the Jamaica Teachers Association and are completing studies at a local based tertiary institution.

At Victoria Mutual we go beyond contributing financially to our Student Savers educational pursuits, we pride ourselves on being a source of support for all our scholars throughout their educational journey. Whether it is an email, phone call or providing summer employment... Victoria Mutual is always there.

Vivienne Bayley-Hay, Vice President Marketing and Corporate Affairs Victoria Mutual (centre), Lesa Robinsonn, Manager, Processing Department Victoria Mutual and member of the VMBS Scholarship Panel (left), and Ainsley Whyte, Manager, Victoria Mutual Building Society New Kingston Branch (right) surrounded by the happy recipients of the 2014 VMBS GSAT 'Head-Start' Bursary and 2014 VMBS Junior Plan County Scholarship, at the VMBS Scholarship Awards Presentation Ceremony, held on August 15, 2014.

Christopher Denny, Vice President, Distribution, Victoria Mutual (left) and Laraine Harrison, Vice President, Group Human Resources, Victoria Mutual (right) with Nickolas Buckle and Joshua Givens, two recipiets of the VMBS Junior Plan County Scholarships

Vivienne Bayley-Hay, Vice President Marketing and Corporate Affairs (left) and Christopher Denny, Vice President, Distribution, Victoria Mutual (centre) poses with Raheem McKain (right), Tenneice Brown (1st right) and Kirk Jones (1st left) recipients of the 2014 Future Plan 'Head-Start' Scholarship at the VMBS Scholarship Awards Presentation Ceremony, held on August 15, 2014.

Audley Knight, VMBS Assistant Vice President, Sales & Service Western Region (1st left) and Lesa Robinson, Manager, Processing Department (2nd right) shared in the celebration with happy bursary recipients Kemar Parker (2nd left) and Stefan Samuels (1st right).

Mutual Building Societies Foundation: Presentation of Centres of Excellence Evaluation Findings

A partnership between Victoria Mutual Building Society and Jamaica National Building Society birthed the Mutual Building Societies Foundation (MBSF) which created its Centres of Excellence flagship programme in 2008. Coming to a close in 2013, the evaluation findings on the Programme which was formally presented to Education Minister the Hon. Ronald Thwaites on April 11, 2014 at the Mona Visitors Lodge, UWI found that the programme was a resounding success.

A prime example of effective public private sector partnership, the programme was established in support of the Government's Transformation of Education Initiative with the goal to develop quality education in five parishes and support social transformation, impacting some 8,000 students and 350 teachers.

Implemented in the McGrath High in St. Catherine; Porus High and Mile Gully High in Manchester, Godfrey Stewart High in Westmoreland, Seaforth High School in St. Thomas and Green Pond in St. James, the 5 year programme, was a J$100,000,000 investment shared between the two Mutual Societies.

Harmonious Solutions, the programme evaluators noted that gains from the programme included improvement in the attitudes, behaviours and academic performance in each school. Additionally, research showed that as a result of the programme students were demonstrating greater pride in their schools as school culture improved by 80 percent.

Evaluators also found that the most visible areas of improvement were in school leadership; accountability at all levels of school management; use of data to inform teaching and learning practices; use of more effective teaching methodologies; and the introduction of entrepreneurship in schools.

Education Minister Ronald Thwaites (centre) receives a copy of the Centres of Excellence Evaluation Findings from Victoria Mutual Building Society Chairman Michael McMorris (left). Sharing in the moment is Member of Victoria Mutual's Board of Directors and Chairman of the MBSF Board Mrs. Jeanne Robinson-Foster (right).

Peter Reid, Senior Vice President, & Chief Operating Officer, Victoria Mutual Building Society delivering Sponsors Remarks at the Centres of Excellence Presentation of Evaluation Findings.

SPORTS

VMBS/St. James Football Association Under 13 Football Competition 2014

A community outreach project for the Montego Bay Branch, the VMBS/St James Under13 football competition is one of the avenues through which the Society positively influences Jamaican youth. As title sponsor for 25 years, we have witnessed the positive impact this competition has had on not only the young boys and girls that participate each year but the other stakeholders such as the schools, coaches and parents.

Through this competition, players have learnt values such as discipline, resilience, teamwork and commitment. More so it has developed the football skills of many youngsters and has had an impact on the national level of football. Many of our players have gone on to represent Jamaica at a professional level. Players include: Dane Richards, Richard McCallum, Deshaun Woolery, Sean Bucknor, Eshane Wilkins, Donovan Ricketts and the late Omroy Wilson.

At the 24th instalment, Guest Speaker and Ballaz International Managing Director Andre Virtue, spoke to the importance of Coaches and Managers at the community level of football assisting in nurturing the youngsters. He noted 'they are not just coaching football but coaching lives through the vehicle of football'. Accordingly, he charged coaches to be encouraging and motivating, speaking life over the players with positive words, as they help to unlock the greatness which lies in them.

In a bid to reward participation and encourage excellence among participants, we increased the incentives offered to the schools taking part in the 2014 staging of the competition. A major addition to the prize package was two scholarships to attend the renowned Ballaz International Football Camp.

The 24th season was filled with excitement and the stunning displays of talent and skill as the teams made their bid for the trophy. The 2 month season was a historic one with two teams outside of Montego Bay meeting in the Champion match- Anchovy Primary and Somerton Primary and a record 33 teams participating in the competition.

Anchovy walked away with the title following a fight to the finish against Somerton which ended 4-3 in penalties.

Chetwood Primary and Barracks Road Primary won third and fourth place respectively.

Guest Speaker at the launch of the VMBS/St. James Football Association Under-13 Football Competition and Head of Ballaz International Football Camp, Andre Virtue, greets the players before the Kick Off Match marking the 24th installment of the competition.

Let's Play Ball! A Montego Bay Preparatory Midfielder trying to penetrate the Roehampton Primary School defence during their Match.

VMBS director Jeanne Foster Robinson (in hat) and Suzette Ramdani-Linton, Branch Manager VMBS Montego Bay hand over the VMBS/St. James Under-13 Football Competition trophy to Timoy Williams, captain of the victorious Anchovy Primary, after they defeated Somerton Primary 4-3 on penalties in the final at the UDC Field.

The Governor-General Visits Victoria Mutual

On June 26th we were pleased to welcome His Excellency the Governor-General and his team to our Corporate Office- one of his stops, in his first round of Corporate Visits.

During his stay, His Excellency sat with Group executives and indicated that the purpose of his visit was to affirm, encourage and applaud organisation on successfully weathering the economic challenges while continuing to deliver real value to it's Members and Clients.

He also commended the institution for it's committment to the development of Jamaica. His Excellency shared that it is important "to focus on the things that money can't buy" and encouraged Victoria Mutual to continue on its path of growth and development whilst keeping the core values that have made it a thriving institution.

The visit included a physical tour of the Head Office including the Member Engagement Centre, the Group Human Resources Department, Prime Asset Management and the Half Way Tree branch, where he interacted with Team Members and Members of the Society.

Victoria Mutual President & CEO, Richard Powell (right) escorts Governor-General Sir Patrick Allen inside the Corporate Offices of Victoria Mutual, where he was hosted.

His Excellency the Most Hon. Sir Patrick Allen Governor-General (4th from left) addresses executives of the VM Group during a recent the Half Way Tree Corporate Offices, which included lunch and a tour.

VMBS Member, Ms. Chandam Kirpalani (let) is delighted to meet with His Excellency the Most. Hon Sir Patrick Allen, Governor-General (right) during his corporate visit to the Half Way Tree branch. Also pictured is Branch Manager Andrea Bicknell.

His Excellency the Most Hon. Sir Patrick Allen greets Tashieka Taylor, Accounts Payable Assistant at Prime Asset Management, a Victoria Mutual subsidiary, during his corporate visit and tour on June 26.

Vice President of Group Human Resources, Laraine Harrison (3rd right) and members of her team, along with President & CEO Richard Powell, listen attentively to Governor-General Sir Patrick Allen, on his tour of the Human Resources Department Offices at Victoria Mutual.

VMBS OVERSEAS OPERATIONS Summer HIGHLIGHTS

VM Mortgage Summer Lyme in the Sunshine

United Kingdom

On Sunday August 3rd, the Victoria Mutual UK Representative Office sponsored the Jamaica Basic School Foundation's Family Fun Day, held in Crystal Palace, London for the first time. The event focuses on a day of wholesome activities for families while showcasing Jamaican culture. The foundation is a charitable organisation in the UK, that hosts several fundraising activities to support many basic schools in Jamaica with funding and supplies. The event was attended by almost 10,000 individuals with over 600 patrons stopping by the Victoria Mutual tent. On the day we were able to share financial planning advice and tips on accessing a mortgage in Jamaica.

Leighton Smith, Chief Representative Officer, United Kingdom

VM at Rasta Fest 2014

Canada

Victoria Mutual Canadian Rep. Office celebrating with Jamaicans far and wide at the popular Rasta Fest event (Summer 2014). Seen in photo is Denise Sinclair, Chief Representative Officer posing for the camera with patrons at the event.

Community Leaders through Service

Florida

Victoria Mutual Building Society was recognized as a Business Leader in the category of Diaspora Community Service awards. The presentation of plaques and citations took place at Jamaica's 52nd Independence Anniversary Gala and Diaspora Honours which celebrated a theme of "Coming Together…Achieving More". The award was presented under the auspices of the Consulate General and the Jamaica United Relief Association (JURA), a community-based charitable organization. Consul General Franz Hall emphasized that the awardees were exemplars of the type of contribution that Jamaicans in the Diaspora can make to the development of their adopted communities in their diverse fields of endeavour.

Jamaica's 52nd Independence Anniversary Gala & Diaspora Honours: Recipients of the Jamaica Diaspora Community Service Awards - 2014, presented by Consul General Franz Hall (centre) at the Grand Independence Ball held Saturday August 2nd at the Signature Grand in Davie. Recipients from left are Victoria Mutual Building Society Florida Office Representative Ms. Suzette Rochester - Business Leadership; South Florida entrepreneur, Ms. Patricia M. Lee - Public Service; attorney Dahlia Walker Huntington accepting for accountant Leary Mullings who was awarded for Entrepreneurship; Dr. Fidel Goldson, Jr. - Philanthropy; President of Jamaica International Female Football Development, Ms. Lavern Deer - Sports Development; educator Rupert Rhodd, PhD. - Education; Broward County student and community volunteer, Adam Azan - Youth Leadership; attorney George Crimarco - Law and Justice; and veteran radio broadcaster, Howard Duperly for media.

7 KEYS 2014 PROMOTION GRAND PRIZE Winner

Mrs. Grayon Knight, lucky Grand Prize winner of a beautiful 2 bedroom house in the Caymanas Country Club Estates. She was surprised at a presentation ceremony at the Terra Nova Hotel transmitted live on TVJ in January 2015. She shared the moment with family.

FINANCIAL STATEMENTS 31 DECEMBER 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of THE VICTORIA MUTUAL BUILDING SOCIETY

Report on the Financial Statements

We have audited the separate financial statements of The Victoria Mutual Building Society ("the Society") and the consolidated financial statements of the Society and its subsidiaries ("the Group"), set out on pages 38 to 117, which comprise the Group's and Society's statements of financial position as at December 31, 2014, the Group's and Society's income statements, statements of comprehensive income, changes in capital and reserves and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Society as at December 31, 2014, and of the Group's and Society's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on other matters as required by the Building Societies Act

We have examined the mortgage deeds and other securities belonging to the Society. Title deeds numbering 7,500 were produced to us and actually inspected by us, and we are satisfied that the remaining 130 deeds not inspected by us were in the hands of attorneys, or elsewhere in the ordinary course of business of the Society.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, are duly vouched and in accordance with law.

Linroy J. Marshall

Nigel R. Chambers

Chartered Accountants
Kingston, Jamaica

March 26, 2015

The VIctoria Mutual Building Society

Group Statement of Financial Position

31 December 2014

	Notes	Group 2014 $'000	Group 2013 $'000 (Restated)*	Society 2014 $'000	Society 2013 $'000 (Restated)*
ASSETS					
Cash and cash equivalents	7	10,267,797	11,729,017	10,152,295	11,554,456
Investments - Jamaica Government securities	8	28,049,242	26,054,051	17,381,583	14,873,304
- Other	9	5,456,034	3,618,253	4,336,459	3,550,522
Resale agreements	10	15,789,739	10,991,696	13,925,388	9,703,894
Loans	11	30,925,659	27,169,852	30,946,411	27,190,355
Other assets	12	2,163,524	1,784,042	1,774,178	1,493,217
Deferred tax assets	13(a)	36,717	91,352	-	-
Employee benefit asset	14	1,560,700	1,770,300	1,560,700	1,770,300
Interest in subsidiaries	15	-	-	993,575	992,864
Interest in associate	16	898,771	907,877	659,200	659,200
Intangible assets	17	800,438	759,608	176,441	129,684
Investment and foreclosed properties	18	600,015	651,106	717,335	768,426
Property, plant and equipment	19	753,397	651,566	684,267	610,306
Total assets		**97,302,033**	**86,178,720**	**83,307,832**	**73,296,528**
LIABILITIES					
Savings fund:					
Shareholders' savings	20	59,578,363	53,372,238	60,264,051	53,629,095
Depositors' savings	21	1,006,034	1,137,538	1,006,034	1,137,538
		60,584,397	54,509,776	61,270,085	54,766,633
Due to specialised institution		9,385,913	8,435,382	9,385,913	8,435,382
		69,970,310	62,945,158	70,655,998	63,202,015
Income tax payable		66,744	128,428	26,359	113,710
Other liabilities	22	772,752	595,117	527,141	380,398
Repurchase agreements	23	12,295,848	11,076,243	-	-
Insurance underwriting provisions	24	381	353	-	-
Loans payable	25	1,840,721	-	2,366,202	525,481
Deferred tax liabilities	13(b)	196,638	347,216	196,393	346,859
Employee benefit obligation	14	811,883	711,885	751,383	675,185
Total liabilities		**85,955,277**	**75,804,400**	**74,523,476**	**65,243,648**
CAPITAL AND RESERVES					
Permanent capital fund	26	6,363,075	5,968,662	6,363,075	5,968,662
Reserve fund	27(i)	782,725	694,457	782,725	694,457
Retained earnings reserve	27(ii)	290,316	103,987	290,316	103,987
Capital reserve on consolidation	27(iii)	82	82	-	-
Credit facility reserve	27(iv)	1,284,097	1,187,934	1,284,097	1,187,934
Investment revaluation reserve	27(v)	83,269	(48,242)	54,143	87,840
General reserve		10,000	10,000	10,000	10,000
Currency translation reserve	27(vi)	188,295	143,681	-	-
Retained earnings		2,344,897	2,313,759	-	-
Total capital and reserves		**11,346,756**	**10,374,320**	**8,784,356**	**8,052,880**
Total liabilities and capital and reserves		**97,302,033**	**86,178,720**	**83,307,832**	**73,296,528**

The financial statements on pages 38 to 117 were approved for issue by the Board of Directors on March 26, 2015, and signed on its behalf by:

Director
M. A.McMorris

Director
R. K. Powell

Countersigned:

Corporate Secretary
K. Brown

*See note 39.
The accompanying notes are an integral part of the financial statements.

The VIctoria Mutual Building Society

Income Statements

Year ended December 31, 2014

	Notes	Group 2014 $'000	Group 2013 $'000 (Restated)*	Society 2014 $'000	Society 2013 $'000 (Restated)*
Interest income	30	5,902,407	5,332,978	5,063,930	4,495,668
Interest expense	30	(2,162,065)	(1,809,524)	(1,588,919)	(1,356,987)
Net interest income		3,740,342	3,523,454	3,475,011	3,138,681
Fee and commission income	31	416,862	297,540	201,178	212,523
Fee and commission expenses	31	(66,547)	(64,934)	(66,547)	(64,933)
Net fee and commission income		350,315	232,606	134,631	147,590
Other operating revenue	32	873,392	905,798	806,135	820,032
Net interest income and other revenue		**4,964,049**	**4,661,858**	**4,415,777**	**4,106,303**
Personnel costs	33	(1,911,467)	(1,583,695)	(1,502,872)	(1,257,374)
Depreciation and amortisation	17,18,19	(159,910)	(132,539)	(140,926)	(116,563)
Other operating expenses	34	(1,680,466)	(1,786,049)	(1,539,996)	(1,662,576)
		(3,751,843)	(3,502,283)	(3,183,794)	(3,036,513)
Share of profits of associate	16	120,014	107,875	-	-
Surplus before income tax		1,332,220	1,267,450	1,231,983	1,069,790
Income tax charge	35	(326,038)	(324,569)	(253,139)	(274,678)
Surplus for the year, attributable to members of the Society		**1,006,182**	**942,881**	**978,844**	**795,112**

*See note 39.

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

The VIctoria Mutual Building Society

Statements of Comprehensive Income

Year ended December 31, 2014

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000 (Restated)*	$'000	$'000 (Restated)*
Surplus for the year	1,006,182	942,881	978,844	795,112
Other comprehensive income				
Items that will never be reclassified to profit or loss:				
Loss on remeasurement of employee benefit asset and obligation	(309,590)	(250,591)	(309,190)	(237,191)
Deferred income tax on loss on remeasurement of employee benefit asset and obligation	99,719	2,097	95,519	(2,370)
Items that may be reclassified to profit or loss:				
Foreign currency translation difference on foreign operations	44,614	26,395	-	-
Change in fair value of available-for-sale investments	172,566	(177,551)	(33,697)	(18,115)
Deferred income tax on available-for-sale investments	(72,058)	53,008	-	-
Other comprehensive loss for the year, net of deferred income tax	(64,749)	(346,642)	(247,368)	(257,676)
Total comprehensive income for the year	941,433	596,239	731,476	537,436

*See note 39.

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

The VIctoria Mutual Building Society

Group Statement of Changes in Capital and Reserves

Year ended December 31, 2014

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Capital reserve on consolidation $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Currency translation reserve $'000	Retained earnings $000	Total capital and reserves $000
Balances at December 31, 2012	5,241,518	613,664	562,004	82	982,303	84,223	10,000	117,286	2,174,923	9,786,003
Total comprehensive income for the year										
Surplus for the year:										
As previously reported	-	-	-	-	-	-	-	-	965,826	965,826
Prior year adjustment (note 39)	-	-	-	-	-	-	-	-	(22,945)	(22,945)
As restated	-	-	-	-	-	-	-	-	942,881	942,881
Other comprehensive income:										
As previously reported:										
Change in fair value of available-for-sale investments	-	-	-	-	-	(177,551)	-	-	-	(177,551)
Foreign currency translation difference on foreign subsidiaries' balances	-	-	-	-	-	-	-	9,023	-	9,023
Deferred income tax on available-for-sale investments	-	-	-	-	-	53,008	-	-	-	53,008
Loss on re-measurement of employee benefit asset and obligation	-	-	(239,561)	-	-	-	-	-	(8,933)	(248,494)
	-	-	(239,561)	-	-	(124,543)		9,023	(8,933)	(364,014)
Prior year adjustment (note 39)	-	-	-	-	-	-	-	17,372	-	17,372
As restated	-	-	(239,561)	-	-	(124,543)	-	26,395	(8,933)	(346,642)
Total comprehensive income for the year as restated	-	-	(239,561)	-	-	(124,543)	-	26,395	933,948	596,239
Movements between reserves										
As previously reported:										
Credit facility reserve transfer	-	-	-	-	205,631	-	-	-	(205,631)	-
Other transfers [notes 26 and 27(i)]	1,203,947	133,771	(218,456)	-	-	-	-	-	(1,119,262)	-
	1,203,947	133,771	(218,456)	-	205,631	-	-	-	(1,324,893)	-
Prior year adjustment (note 39)	(476,803)	(52,978)	-	-	-	-	-	-	529,781	-
As restated	727,144	80,793	(218,456)	-	205,631	-	-	-	(795,112)	-
Share of investment revaluation reserve of associate	-	-	-	-	-	(7,922)	-	-	-	(7,922)
Balances at December 31, 2013	5,968,662	694,457	103,987	82	1,187,934	(48,242)	10,000	143,681	2,313,759	10,374,320
Balances at December 31, 2013										
As previously reported	6,445,465	747,435	103,987	82	1,187,934	(48,242)	10,000	126,309	2,336,704	10,909,674
Prior year adjustment (note 39)	(476,803)	(52,978)	-	-	-	-	-	17,372	(22,945)	(535,354)
As restated	5,968,662	694,457	103,987	82	1,187,934	(48,242)	10,000	143,681	2,313,759	10,374,320

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

The Victoria Mutual Building Society

Group Statement of Changes in Capital and Reserves (cont'd)

Year ended December 31, 2014

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Capital reserve on consolidation $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Currency translation reserve $'000	Retained earnings $000	Total capital and reserves $000
Balances at December 31, 2013	5,968,662	694,457	103,987	82	1,187,934	(48,242)	10,000	143,681	2,313,759	10,374,320
Total comprehensive income for the year										
Surplus for the year	-	-	-	-	-	-	-	-	1,006,182	1,006,182
Other comprehensive income:										
Change in fair value of available-for-sale investments	-	-	-	-	-	100,508	-	-	-	100,508
Foreign currency translation difference on foreign subsidiaries' balances	-	-	-	-	-	-	-	44,614	-	44,614
Loss on re-measurement of employee benefit asset and obligation	-	-	(213,671)	-	-	-	-	-	3,800	(209,871)
Total other comprehensive income	-	-	(213,671)	-	-	100,508	-	44,614	3,800	(64,749)
Total comprehensive income for the year	-	-	(213,671)	-	-	100,508	-	44,614	1,009,982	941,433
Movements between reserves										
Credit facility reserve transfer	-	-	-	-	96,163	-	-	-	(96,163)	-
Other transfers [notes 26 and 27(i)]	394,413	88,268	400,000	-	-	-	-	-	(882,681)	-
Total movement between reserves	394,413	88,268	400,000	-	96,163	-	-	-	(978,844)	-
Share of investment revaluation reserve of associate	-	-	-	-	-	31,003	-	-	-	31,003
Balances at December 31, 2014	6,363,075	782,725	290,316	82	1,284,097	83,269	10,000	188,295	2,344,897	11,346,756

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

The Victoria Mutual Building Society

Society Statement of Changes in Capital and Reserves

Year ended December 31, 2014

	Permanent capital fund $'000	Reserve fund $'000	Retained earnings reserve $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Retained earnings $'000 $000	Total $'000 $000
Balances at December 31, 2012	5,241,518	613,664	562,004	982,303	105,955	10,000	-	7,515,444
Total comprehensive income for the year								
Surplus for the year:								
As previously reported	-	-	-	-	-	-	1,324,893	1,324,893
Prior year adjustment (note 39)	-	-	-	-	-	-	(529,781)	(529,781)
As restated	-	-	-	-	-	-	795,112	795,112
Other comprehensive income:								
Change in fair value of available-for-sale investments	-	-	-	-	(18,115)	-	-	(18,115)
Loss on re-measurement of employee benefit asset and obligation	-	-	(239,561)	-	-	-	-	(239,561)
Total other comprehensive income	-	-	(239,561)	-	(18,115)	-	-	(257,676)
Total comprehensive income for the year	-	-	(239,561)	-	(18,115)	-	795,112	537,436
Movements between reserves								
As previously reported:								
Credit facility reserve transfer [note 4(r)]	-	-	-	205,631	-	-	(205,631)	-
Other transfers [notes 26 and 27(i)]	1,203,947	133,771	(218,456)	-	-	-	(1,119,262)	-
	1,203,947	133,771	(218,456)	205,631	-	-	(1,324,893)	-
Prior year adjustment (note 39)	(476,803)	(52,978)	-	-	-	-	529,781	-
As restated	727,144	80,793	(218,456)	205,631	-	-	(795,112)	-
Balances at December 31, 2013	5,968,662	694,457	103,987	1,187,934	87,840	10,000	-	8,052,880
Balances at December 31, 2013								
As previously reported	6,445,465	747,435	103,987	1,187,934	87,840	10,000	-	8,582,661
Prior year adjustment (note 39)	(476,803)	(52,978)	-	-	-	-	-	(529,781)
As restated (carried forward)	5,968,662	694,457	103,987	1,187,934	87,840	10,000	-	8,052,880

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

The Victoria Mutual Building Society

Society Statement of Changes in Capital and Reserves (cont'd)

Year ended December 31, 2014

	Permanent capital fund $000	Reserve fund $000	Retained earnings reserve $'000	Credit facility reserve $'000	Investment revaluation reserve $'000	General reserve $'000	Retained earnings $'000	Total $'000
Balances at December 31, 2013 (brought forward)	5,968,662	694,457	103,987	1,187,934	87,840	10,000	-	8,052,880
Total comprehensive income for the year								
Surplus for the year	-	-	-	-	-	-	978,844	978,844
Other comprehensive income:								
Change in fair value of available-for-sale investments	-	-	-	-	(33,697)	-	-	(33,697)
Loss on re-measurement of employee benefit asset and obligation	-	-	(213,671)	-	-	-	-	(213,671)
Total other comprehensive income	-	-	(213,671)	-	(33,697)	-	-	(247,368)
Total comprehensive income for the year	-	-	(213,671)	-	(33,697)	-	978,844	731,476
Movements between reserves								
Credit facility reserve transfer	-	-	-	96,163	-	-	(96,163)	-
Other reserves [notes 26 and 27(i)]	394,413	88,268	400,000	-	-	-	(882,681)	-
Total movement between reserves	394,413	88,268	400,000	96,163	-	-	(978,844)	-
Balances at December 31, 2014	6,363,075	782,725	290,316	1,284,097	54,143	10,000	-	8,784,356

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

The VIctoria Mutual Building Society

Group Statement of Cash Flows

Year ended December 31, 2014

	Notes	2014 $'000	2013 $'000 (Restated)*
Cash flows from operating activities			
Surplus for the year		1,006,182	942,881
Adjustments for:			
Depreciation	17,18,19	159,910	132,539
Employee benefit obligation		108,608	8,290
Interest income	30	(5,902,407)	(5,332,978)
Interest expense	30	2,162,065	1,809,524
Income tax expense	35	326,038	324,569
Fair value gain on pre existing shares		-	(116,293)
		(2,139,604)	(2,231,468)
Gain on disposal of property, plant and equipment		(7,683)	(26,275)
Share of profits of associate	16	(120,014)	(107,875)
Change in provision for loan losses		(22,373)	(97,626)
Insurance underwriting provisions		28	(73)
Unrealised exchange (losses)/gains on foreign currency balances		(267,700)	(119,825)
Loan advances, net of repayments		(3,733,434)	(438,795)
Change in other assets		7,791	204,093
Change in employee benefit asset		(108,600)	(192,400)
Net receipts from shareholders and depositors		7,068,692	5,302,988
Change in other liabilities		177,635	81,545
		854,738	2,374,289
Interest and dividends received		5,675,257	5,398,230
Interest paid		(2,123,584)	(1,840,022)
Income taxes paid		(456,006)	(289,645)
Net cash provided by operating activities		3,950,405	5,642,852
Cash flows from investing activities			
Government of Jamaica securities		(1,740,604)	(2,417,722)
Other investments		(1,837,781)	53,024
Resale agreements		(4,757,033)	(543,021)
Purchase of intangible asset	17	(78,372)	(27,783)
Additions to investment properties	18	(55,533)	(80,447)
Purchase of property, plant and equipment	19	(203,598)	(210,229)
Proceeds of disposal of property, plant and equipment		100,106	137,671
Net cash outflow on business acquisition		-	(497,250)
Repurchase agreements		1,260,615	1,694,560
Net cash used by investing activities		(7,312,200)	(1,891,197)
Cash flows from financing activities			
Loans payable, net		1,840,721	(466,588)
Net (decrease)/increase in cash and cash equivalents for year		(1,521,074)	3,285,067
Cash and cash equivalents at beginning of year		11,729,017	8,301,182
Effect of exchange rate fluctuations on cash and cash equivalents		59,854	142,768
Cash and cash equivalents at end of year	7	10,267,797	11,729,017

* See note 39.

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

The VIctoria Mutual Building Society

Society Statement of Cash Flows

Year ended December 31, 2014

	Notes	2014 $'000	2013 $'000 (Restated)*
Cash flows from operating activities			
Surplus for the year		978,844	795,112
Adjustments for:			
Depreciation	17,18,19	140,925	116,563
Unrealized exchange (gains)/losses on foreign currency balances		(195,497)	(96,777)
Employee benefit obligation		85,208	7,090
Interest income	30	(5,063,930)	(4,495,668)
Interest expense	30	1,588,919	1,356,987
Income tax expense	35	253,139	274,678
		(2,212,392)	(2,042,015)
Gain on disposal of property, plant and equipment		(7,494)	(26,250)
Loss/(gain) on sale of investments		(43,359)	279,168
Change in provision for loan losses		(22,373)	(97,626)
Loan advances, net of repayments		(3,734,261)	(406,126)
Interest in subsidiaries		(711)	-
Change in other assets		(55,941)	(885,473)
Change in employee benefit assets		(108,600)	(192,400)
Net receipts from shareholders and depositors		6,531,461	4,970,102
Change in other liabilities		146,743	90,625
		493,073	1,690,005
Interest and dividends received		4,838,910	4,497,199
Interest paid		(1,697,248)	(1,385,111)
Income taxes paid		(395,437)	(174,364)
Net cash provided by operating activities		3,239,298	4,627,729
Cash flows from investing activities			
Government of Jamaica securities		(1,330,680)	(107,697)
Other investments		(783,706)	(189,841)
Resale agreements		(4,221,494)	(701,911)
Purchase of intangible asset	17	(78,093)	(24,956)
Additions to investment properties	18	(55,533)	(80,447)
Purchase of property, plant and equipment	19	(169,073)	(195,721)
Proceeds of disposal of property, plant and equipment		99,641	137,148
Net cash used by investing activities		(6,538,938)	(1,163,425)
Cash flows from financing activities			
Loans payable, being cash provided by financing activities		1,840,721	58,893
Net (decrease)/increase in cash and cash equivalents for year		(1,458,919)	3,523,197
Cash and cash equivalents at beginning of year		11,554,456	7,901,508
Effect of exchange rate fluctuations on cash and cash equivalents		56,758	129,751
Cash and cash equivalents at end of year	7	10,152,295	11,554,456

* See note 39.

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

1. IDENTIFICATION

(a) The Victoria Mutual Building Society ("the Society") is incorporated under the Building Societies Act and is domiciled in Jamaica. The registered office of the Society is located at 8-10 Duke Street, Kingston, Jamaica.

During the year, the principal activities of the Society and its subsidiaries [note 1(b)] comprised granting home loans, accepting deposits, trading in foreign currencies, providing money transmission services, investing surplus funds, insurance premium financing, investment holding, stockbroking and securities trading, and real estate services.

(b) "Group" refers to the Society and its subsidiaries, as follows:

Entity	Country of incorporation	Nature of business	Percentage equity held by: The Society	Subsidiaries
Victoria Mutual Investments Limited and its wholly-owned subsidiary:	Jamaica	Insurance premium financing and investment holding	100	-
Victoria Mutual Wealth Management Limited	Jamaica	Stockbroking and securities trading	-	100
Victoria Mutual Properties Limited *and its wholly-owned subsidiary:	Jamaica	Development and letting of real property	100	-
Victoria Mutual (Property Services) Limited	Jamaica	Housing development and property management and sales	-	100
Victoria Mutual Finance Limited	United Kingdom	Provision of management services to the Society, money transfer and cheque cashing services	100	-
VMBS Money Transfer Services Limited	Jamaica	Management of the money transfer services of the Society	99	-
VMBS Overseas (UK) Limited	United Kingdom	Promotion of the business of the Society	100	-
VMBS Overseas (Canada) Inc*	Canada	Money transfer	100	-
Westin International Insurance Company Limited	The Cayman Islands	General insurance	100	-
Prime Pensions (St. Lucia) Limited**, and its wholly owned subsidiary:	St. Lucia	Holding Company	100	-
Prime Asset Management Limited	Jamaica	Pension management	100	-***

* Inactive subsidiaries, which, except for VMBS Overseas (Canada) Inc., are the subject of an undertaking, given to Bank of Jamaica, for their winding up.

** To be wound up by December 31, 2015.

*** Owned by Prime Pensions (St. Lucia) Limited in the previous year and transferred to the Society during the year

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

1. IDENTIFICATION (CONT'D)

(c) Interest in associated company

The Group has an interest in an associated company, viz:

	Country of incorporation	Nature of business	Percentage equity held by The Society
British Caribbean Insurance Company Limited	Jamaica	General insurance	31.5

(d) The Society is an authorised foreign currency dealer.

2. REGULATIONS AND LICENCE

The Society is licensed, and these financial statements are delivered, under the Building Societies Act and the Bank of Jamaica (Building Societies) Regulations, 1995 ("BOJ Regulations").

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

New, revised and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations became effective for the current financial year. None of them had any material impact on the amounts and disclosures in these financial statements.

New, revised and amended standards and interpretations that are not yet effective

At the date of approval of these financial statements, certain new, revised and amended standards and interpretations were in issue but were not effective at the reporting date and had not been early-adopted by the Group. The Group has assessed them with respect to its operations and has concluded that the following may be relevant:

(i) IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

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

(ii) IFRS 15, *Revenue from Contracts with Customers*, is effective for annual reporting periods beginning on or after January 1, 2017. It replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*.

The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

(iii) *Improvements to IFRS, 2010-2012 and 2011-2013* cycles, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after July 1, 2014. The main amendments applicable to the Group are as follows:

- *IFRS* 3, *Business Combinations*, has been amended to clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, *Financial Instruments: Presentation*, rather than to any other IFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 9, *Financial Instruments*, to prohibit contingent consideration from subsequently being measured at amortised cost. In addition, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is amended to exclude provisions related to contingent consideration of an acquirer. IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11, *Joint Arrangements*, i.e. including joint operations, in the financial statements of the joint arrangements themselves.

- *IFRS 13, Fair Value Measurement*, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

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

(iii) *Improvements to IFRS*, *2010-2012 and 2011-2013* cycles, (cont'd):

- *IAS 24*, *Related Party Disclosures*, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

- *IAS 40, Investment Property*, has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

(iv) *Improvements to IFRS, 2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after January 1, 2016. The main amendments applicable to the Group are as follows:

- IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

- IAS 19, *Employee Benefits,* has been amended by the issue of "Amendments to IAS 19, *Defined Benefits Plans*: *Employee Contributions",* effective for annual reporting periods beginning on or after July 1, 2014, to clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of services.

- IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*, were amended by the issue of "Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation",* which is effective for annual reporting periods beginning on or after January 1, 2016, as follows:

  - The amendment to IAS 16 explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38 introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

3. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

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

(iv) *Improvements to IFRS, 2012-2014* cycle (cont'd):

- IAS 27, *Separate Financial Statements*, has been amended by the issue of "Amendments to IAS 27, *Equity Method in Separate Financial Statements*", effective for annual reporting periods beginning on or after January 1, 2016, and may be adopted earlier. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

- IAS *1, Presentation of Financial Statements*, has been amended, effective for annual reporting periods beginning on or after January 1, 2016, to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI;
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

The Group is assessing the impact that these new standards, amendments and improvements will have on its financial statements when they become effective.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, modified for the inclusion of available-for-sale investments at fair value. In addition:

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

- the defined-benefit liability is the present value of the unfunded obligation.

(c) Functional and presentation currency

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

3. BASIS OF PREPARATION (CONT'D)

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

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

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

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

(i) Key sources of estimation uncertainty

(1) Pension and other post-employment benefits

Determining employee benefit amounts to be included in the financial statements requires the actuaries to estimate the amount of future benefit that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets. Making these estimates requires certain assumptions, including discount rate, inflation rate, and rate of future increases in medical claims, pensions and salaries, as more fully set out in notes 4(h) and 14. Management supplies the actuaries with some of the information, including some assumptions, used in estimating the employee benefit amounts. The possibility of significant differences between actual results and the assumptions used means that uncertainty is inherent in these estimates.

(2) Allowance for impairment losses on financial assets

In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the amount of future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant, the amount and timing of cash flows are estimated for each receivable individually. Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

3. BASIS OF PREPARATION (CONT'D)

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

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

(3) Goodwill

Goodwill is not amortised but is tested annually for impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(4) Residual values and useful lives of property, plant and equipment

The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

(5) Income taxes

In the ordinary course of the Group's business, it undertakes transactions, and is subject to events, the tax effects of which are uncertain. In the face of such uncertainty, the Group makes estimates and judgements in determining the provision for income taxes.

The final tax outcome attributable to matters subject to such estimates and judgements may be materially different from that which was initially recognised. Any such difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(6) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. The yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach, which is categorised as a Level 2 fair value. Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instrument in an actual arm's length transaction (see notes 8, 9 and 29).

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

3. BASIS OF PREPARATION (CONT'D)

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

(ii) Critical accounting judgements in applying the Group's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

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

The following are relevant to these financial statements:

- In classifying financial assets as "held-for-trading", the Group has determined that they meet the description of trading assets set out in accounting policy 4(b).
- In designating financial assets as at fair value through profit or loss, the Group has determined that they have met the criteria for this designation set out in accounting policy 4(b).
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 4(b).
- In classifying financial assets as 'loans and receivables' management concludes that, *inter alia*, they are not traded in an active market. This determination sometimes requires judgement.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Group's financial statements include the audited financial statements of the Society and its subsidiaries as at and for the year ended December 31, 2014, after eliminating intra-group amounts, and the Group's interest in its associate. The investment in associate is accounted for using the equity method, and is initially recognised at cost, which includes transaction costs.

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

Associated entities are those, other than a subsidiary or joint venture, over which the Group has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Group holds at least 20% but not more than 50% of the voting power of another entity. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, from the date significant influence commences until the date significant influence ceases.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instruments – Classification, recognition and de-recognition, and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Classification of financial instruments

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

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

Loans and receivables: This comprises securities acquired and loans granted with fixed or determinable payments and which are not quoted in an active market.

Held-to-maturity: This comprises securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Fair value through profit or loss: This comprises securities that the Group acquires for the purpose of selling or repurchasing in the near term, or that it holds as part of a portfolio that is managed together for short-term profit or position taking, or that it designates as such at the time of acquisition.

Available-for-sale: The Group's financial instruments included in this classification are securities with prices quoted in an active market or for which the fair values are otherwise determinable, or which are designated as such upon acquisition.

The Group classifies non-derivative financial liabilities into the "other financial liabilities" category.

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

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

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers not retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

(iii) Measurement and gains and losses - Non-derivative financial assets

Loans and receivables: On initial recognition these are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange, dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Held-to-maturity: On initial recognition these are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

Financial assets at fair value through profit or loss: On initial recognition these are measured at fair value, with directly attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, as well as any interest or dividend income, are recognised in profit or loss.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

A*vailable-for-sale:* On initial recognition, these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value treated as follows:

- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.
- When securities classified as available-for-sale are sold or impaired, and therefore derecognised, the fair value adjustments accumulated in other comprehensive income are reclassified to profit or loss.

(c) Financial instruments – Other

(i) Cash and cash equivalents

Cash comprises cash on hand and demand deposits, including unrestricted balances held with the central bank. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments rather than for investment or other purposes. Highly liquid investments include deposits where the maturities do not exceed three months from the acquisition date.

Cash and cash equivalents are measured at amortised cost.

(ii) Resale and repurchase agreements

Resale agreements are accounted for as short-term collateralised lending, and are classified as loans and receivables. On initial recognition they are measured at fair value. Subsequent to initial recognition they are measured at amortised cost. The difference between the purchase cost and the resale consideration is recognised in profit or loss as interest income using the effective interest method.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. Repurchase agreements are accounted for as short-term collateralised borrowing, and are classified as other liabilities. On initial recognition and subsequently, the securities given as collateral are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. The difference between the sale consideration and the repurchase price is recognised in profit or loss over the life of each agreement as interest expense using the effective interest method.

(iii) Derivatives

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

(iv) Other assets:

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

(v) Loans payable

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

(vi) Other liabilities

Other liabilities are measured at cost or amortised cost.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Revenue recognition

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

(i) Interest income

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method, except as described in the following paragraph. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the Bank of Jamaica Building Societies Regulations (1995) ("BOJ Regulations") stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, i.e., impaired, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. Future interest receipts are taken into account in estimating future cash flows from the instrument; if no contractual interest payments are expected to be collected, then the only interest income recognised is the unwinding of the discount on those cash flows expected to be received. The Group has elected to comply with the BOJ Regulations. For the Group and the Society, had interest income been recognised on past-due loans in accordance with IFRS, the interest income for the year would not have been materially different from the amount included in these financial statements.

(ii) Commissions and other income

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

(e) Interest expense

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

(f) Fee and commission expenses

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Income tax

Income tax on the results for the year comprises current and deferred income tax. It 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 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 tax payable in respect of previous years.

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and in respect of unused tax losses.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted, or substantively enacted, as of the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax is not recognised for:

(i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

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

(h) Employee benefits

Employee benefits comprise all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions, annual vacation and sick leave, and non-monetary benefits, such as medical care and housing; post-employments benefits, such as pensions and medical care; other long-term employee benefits, such as long service awards; and termination benefits.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Employee benefits (cont'd)

(i) General benefits

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

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

(ii) Defined-contribution pension plan

This plan is closed to new members and no further contributions are being made.

(iii) Defined-benefit pension plan

The defined-benefit plan provides benefits for retired employees of Group entities. In the financial statements of the Society the plan is accounted for as a defined-benefit plan, as described below, while in the financial statements of the individual participating subsidiaries, the plan is accounted for as a defined-contribution plan, that is, pension contributions by the subsidiary, as recommended by the actuary, are expensed as they become due. The reasons for this are that (1) although the plan exposes the participating subsidiaries to actuarial risks associated with current and former employees of Group entities, there is no stated policy for charging the net defined benefit cost among Group entities, and (2) all residual interest in the plan belongs to the Society.

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Employee benefits (cont'd)

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

The Group's net obligation in respect of the defined-benefit pension plan 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 benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on long-term government securities that have maturity dates approximating the terms of the Group's obligations. In the absence of such instruments in Jamaica, the rate is estimated by extrapolating from the longest tenor security on the market. The calculation is performed by the Group's independent qualified actuary using the Projected Unit Credit Method.

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

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest income on the net defined benefit asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit asset, taking into account any changes in the net defined benefit asset during the period as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

(iv) Other post-employment benefits

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

(i) Interest in subsidiaries

Interest in subsidiaries is stated at cost less impairment losses in the separate financial statements.

(j) Intangible assets

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Intangible assets (cont'd)

(ii) Computer software

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. These assets are stated at cost, less accumulated amortisation and, if any, impairment losses. The assets are amortised using the straight-line method over their expected useful lives, estimated at five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(k) Investment properties and repossessed properties

(i) Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties are stated at cost, less accumulated depreciation and impairment losses. Each year's lease income from investment property is accounted for on the straight-line basis over the year.

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

(l) Property, plant and equipment and depreciation

(i) Cost

(a) Recognition and measurement

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

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

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

(b) Subsequent costs

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Property, plant and equipment and depreciation (cont'd)

(ii) Depreciation

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

The depreciation rates are as follows:-

Buildings	2.5%
Office furniture and equipment	10% - 30%
Motor vehicles	20% - 25%

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

(m) Identification and measurement of impairment

(i) Non-derivative financial assets

At each financial year end, the Group assesses whether there is objective evidence that financial assets, other than those carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. Objective evidence that financial assets are impaired includes the following:

(1) Default or delinquency by a debtor
(2) Restructuring of an amount due to the Group on terms that the Group would not otherwise consider
(3) Indications that a debtor or issuer will enter bankruptcy
(4) Adverse changes in the payment status of borrowers or issuers
(5) The disappearance of an active market for a security
(6) Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of twelve months to be prolonged.

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both an individual and a collective level. All individually significant financial assets are individually assessed for impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Financial assets that are not individually significant are collectively assessed for impairment. Collective assessment is done by grouping together financial assets with similar risk characteristics.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than that suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there is no realistic prospect of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Differential impacts of IFRS and Regulatory requirements

General provisions for loans are established against the portfolio where a prudent assessment by the Group of adverse economic trends and losses inherent in its portfolio suggest that losses may occur, but such losses cannot be determined on an item-by-item basis. This provision is maintained at the minimum 0.5% of the portfolio for residential mortgages and 1% for all other loans, being the rates established by the regulator, Bank of Jamaica.

As set out above, IFRS permits only specific loan loss provisions, based on impairment of individual loans and/or impairment of a portfolio of loans with similar risk characteristics, and requires that the future cash flows of impaired loans be discounted and, thereafter, the increase in the present value be reported as interest income. The loan loss provision required under the Bank of Jamaica Building Societies Regulations (1995) which is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable "credit facility reserve" [note 27(iv)].

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise it is reversed through other comprehensive income.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets (other than deferred tax) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Foreign currencies

(i) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income ("OCI").

(ii) Foreign subsidiaries

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

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

5. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

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

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

Introduction and overview (cont'd)

Risk management framework

The Board of Directors of the Society has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the following three committees for risk management purposes:

(i) Risk Management Committee
(ii) Finance, Investment & Loan Committee ("Finance Committee"),
(iii) Audit Committee

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

The risk management policies are established 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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There are, in addition, an Asset and Liability Committee ("ALCO") and a Credit Committee, comprising members of executive management. ALCO reports to the Risk Management Committee as well as to the Finance Committee of the Board and has responsibility to monitor the liquidity, interest rate and foreign exchange risks of the Group. The Credit Committee reports to the Finance Committee and has responsibility to monitor the credit risk of the Society.

The Society, Victoria Mutual Wealth Management Limited and Prime Asset Management Limited have audit committees. The Society's Audit Committee is responsible for monitoring the Group's compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committees are assisted in these functions by Group Internal Audit, which undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committees.

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

(a) Credit risk

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

(i) Exposure to credit risk

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

(1) For financial assets recognised at the reporting date:

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

(2) For financial assets not recognised at the reporting date:

	Group and Society	
	2014	2013
	$'000	$'000
Loan commitments	1,215,795	1,138,274

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

The management of credit risk exposure attaching to the Group's financial assets is described in notes (1) to (5) following:

(1) Loans receivable

The management of credit risk in respect of loans receivable is delegated to the Society's Finance Committee. The Committee is responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

Quality of loans receivable

The credit quality of loans is assessed by reference to the extent to which loans are current or past due, and by the extent of impairment.

Definition of impaired loans

Impaired loans are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

(1) Loans receivable (cont'd)

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Group.

	Group and Society	
	2014	2013
	$'000	$'000
Past due but not impaired loans		
Under 3 months	5,254,994	4,497,229
3 months – 6 months	278,771	506,831
Over 6 months – 12 months	140,517	378,009
Over 12 months	442,112	468,142
Total carrying amount	6,116,394	5,850,211

Past due and impaired loans

These are loans where contractual interest or principal payments are past due and the Group believes that impairment is appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Group.

	Group and Society	
	2014	2013
	$'000	$'000
Past due and impaired loans		
3 months – 6 months	105,775	22,095
Over 6 months – 12 months	11,838	26,549
Over 12 months	330,690	288,406
Total carrying amount	448,303	337,050

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

(1) Loans receivable (cont'd)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrowers' financial position and where the Group has made concessions that it would not otherwise consider. Once a loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. The main restructuring activities for 2009 to 2014 were granting moratoria and rescheduling repayments. At December 31, 2014, the outstanding principal balances on loans that were restructured amounted to $363,587,000 (2013: $761,691,000).

Allowances for impairment

The Group has established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. Information on impairment charge is provided in note 11(b).

Write-off policy

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

Collateral

Collateral held in respect of loans is in the form of mortgages over property, liens over motor vehicles and hypothecation of deposits held. The fair value of collateral that the Group held for loans past due was $24,104,040,000 (2013: $19,438,669,000). For details refer to note 5(a)(iii) below.

Foreclosure

The Group sometimes acquires properties by way of foreclosure in the process of recovering amounts from defaulting borrowers. At the reporting date the carrying amount of these assets was $356,676,000 (2013: $403,974,000). The Group's policy is, in accordance with regulatory requirements, to pursue realisation of the collateral in a timely manner, that is, it intends to dispose of these properties within three years of acquisition. No financial or other assets (other than real property mentioned herein) were obtained during the year by taking possession of collateral.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

(2) Cash and cash equivalents

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

(3) Investment securities

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

No investment securities were considered impaired at the reporting date.

(4) Resale agreements and certificates of deposit

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

(5) Accounts receivable

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

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

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities over other assets, and guarantees. Estimates of fair value of such collateral are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held at the current and previous reporting dates.

The Victoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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

An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below:

	The Group				The Society			
	Loans and advances		Resale agreements		Loans and advances		Resale agreements	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Against neither past due nor impaired financial assets:								
Real property	49,865,047	55,266,894	-	-	49,865,047	55,266,894	-	-
Debt securities	-	-	17,985,439	12,563,904	-	-	16,082,624	10,343,713
Liens on motor vehicles	18,460	21,930	-	-	18,460	21,930	-	-
Hypothecation of deposits	-	32,324	-	-	-	32,324	-	-
Subtotal	49,883,507	55,321,148	17,985,439	12,563,904	49,883,507	55,321,148	16,082,624	10,343,713
Against past due but not impaired financial assets:								
Real property	23,501,382	18,777,708	-	-	23,501,382	18,777,708	-	-
Against past due and impaired financial assets:								
Real property	602,658	660,961	-	-	602,658	660,961	-	-
Total	73,987,547	74,759,817	17,985,439	12,563,904	73,987,547	74,759,817	16,082,624	10,343,713

There was no change in the types of exposures to credit risk to which the Group is subject or its approach to measuring and managing this risk during the year.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks

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 rates, foreign exchange rates, credit spreads and equity prices and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Management and monitoring of market risks

The Group separates its exposure to market risks between trading and non-trading portfolios. Market risks from trading activities are monitored by ALCO. ALCO monitors the price movement of securities on both the local and international markets for both debt and equity securities. Market risks are managed through risk limits approved by the Board of Directors.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk and the other market risks associated with the non-trading portfolio are monitored by ALCO as well, and managed in the following way:

(i) Interest rate risk

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

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

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

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

	Group					
	2014					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	7,161,145	800,805	921,554	40,777	1,343,516	10,267,797
Investments	5,294,655	17,812,419	5,112,453	5,241,073	44,676	33,505,276
Resale agreements	1,659,349	7,468,814	6,607,934	53,642	-	15,789,739
Loans	-	30,925,659	-	-	-	30,925,659
Other assets	-	2,582	-	-	2,160,672	2,163,254
Total financial assets	14,115,149	57,010,279	12,641,941	5,335,492	3,548,864	92,651,725
Savings fund	-	46,268,033	11,392,578	2,923,786	-	60,584,397
Due to specialised institution	2,971,502	243	3,501	197,498	6,213,169	9,385,913
Other liabilities	-	-	-	-	772,752	772,752
Repurchase agreements	-	9,538,421	2,757,427	-	-	12,295,848
Loan payable	-	1,808,198	-	-	32,523	1,840,721
Total financial liabilities	2,971,502	57,614,895	14,153,506	3,121,284	7,018,444	84,879,631
Total interest rate sensitivity gap *	11,143,647	(604,616)	(1,511,565)	2,214,208	(3,469,580)	7,772,094
Cumulative gap	11,143,647	10,539,031	9,027,466	11,241,674	7,772,094	-

* The gap is in relation to items recognised in the statement of financial position; there are no items not so recognised.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Group					
	2013					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	6,668,754	2,695,355	1,258,542	132,468	973,898	11,729,017
Investments	-	5,582,363	132,480	5,497,734	18,459,727	29,672,304
Resale agreements	1,627,392	2,994,222	6,301,132	68,950	-	10,991,696
Loans	-	27,169,852	-	-	-	27,169,852
Other assets	-	15,440	-	-	1,768,602	1,784,042
Total financial assets	8,296,146	38,457,232	7,692,154	5,699,152	21,202,227	81,346,911
Savings fund	-	44,578,778	8,984,477	946,521	-	54,509,776
Due to specialised institution	-	1,713,918	6,332	6,715,132	-	8,435,382
Other liabilities	-	-	-	-	595,117	595,117
Repurchase agreements	-	8,036,694	3,039,549	-	-	11,076,243
Total financial liabilities	-	54,329,390	12,030,358	7,661,653	595,117	74,616,518
Total interest rate sensitivity gap *	8,296,146	(15,872,158)	(4,338,204)	(1,962,501)	20,607,110	6,730,393
Cumulative gap	8,296,146	(7,576,012)	(11,914,216)	(13,876,717)	6,730,393	-

* The gap is in relation to items recognised in the statement of financial position; there are no items not so recognised.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(i) Interest rate risk (cont'd)

	Society					
	2014					
	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	7,114,994	790,022	921,554	40,777	1,284,948	10,152,295
Investments	5,294,655	12,775,045	3,233,830	-	414,512	21,718,042
Resale agreements	1,659,349	4,785,828	6,861,324	618,887	-	13,925,388
Loans	-	30,946,411	-	-	-	30,946,411
Other assets	-	-	-	-	1,774,178	1,774,178
Total financial assets	14,068,998	49,297,306	11,016,708	659,664	3,473,638	78,516,314
Savings fund	-	46,953,721	11,392,578	2,923,786	-	61,270,085
Due to specialised institutions	2,971,502	243	3,501	197,498	6,213,169	9,385,913
Loans payable	-	1,808,198	-	-	558,004	2,366,202
Other liabilities	-	-	-	-	527,141	527,141
Total financial liabilities	2,971,502	48,762,162	11,396,079	3,121,284	7,298,314	73,549,341
Total interest rate sensitivity gap *	11,097,496	535,144	(379,371)	(2,461,620)	(3,824,676)	4,966,973
Cumulative gap	11,097,496	11,632,640	11,253,269	8,791,649	4,966,973	-

* The gap is in relation to items recognised in the statement of financial position; there are no items not so recognised.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks(cont'd)

(i) Interest rate risk (cont'd)

	Society					
	2013					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	6,633,900	2,686,872	1,258,542	132,468	842,674	11,554,456
Investments	-	12,898,081	5,029,300	285,634	210,811	18,423,826
Resale agreements	2,350,716	1,048,413	6,235,815	68,950	-	9,703,894
Loans	-	27,190,355	-	-	-	27,190,355
Other assets	-	-	-	-	1,493,217	1,493,217
Total financial assets	8,984,616	43,823,721	12,523,657	487,052	2,546,702	68,365,748
Savings fund	-	44,835,635	8,984,477	946,521	-	54,766,633
Due to specialised institutions	-	1,713,918	6,330	6,715,134	-	8,435,382
Loans payable	-	-	-	-	525,481	525,481
Other liabilities	-	-	-	-	380,398	380,398
Total financial liabilities	-	46,549,553	8,990,807	7,661,655	905,879	64,107,894
Total interest rate sensitivity gap *	8,984,616	(2,725,832)	3,532,850	(7,174,603)	1,640,823	4,257,854
Cumulative gap	8,984,616	6,258,784	9,791,634	2,617,031	4,257,854	-

* The gap is in relation to items recognised in the statement of financial position; there are no items not so recognised.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd):

(i) Interest rate risk (cont'd)

Sensitivity to interest rate movements

The following table shows the effect on surplus and reserves of a reasonably possible change in interest rates of the amount indicated. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis as for 2013.

	Group		Society	
	$'000 Increase	$'000 (Decrease)	$'000 Increase	$'000 (Decrease)
	2014			
Jamaica dollar	250bps	100bps	250bps	100bps
Foreign currencies	200bps	50bps	200bps	50bps
Effect on surplus or deficit	99,130	(55,969)	198,468	(79,387)
Effect on reserves	(513,359)	(654,042)	287,778	(99,201)
	2013			
Jamaica dollar	250 bps	100 bps	250 bps	100 bps
Foreign currency	200 bps	50 bps	200 bps	50 bps
Effect on surplus or deficit	103,373	(56,459)	194,768	(77,907)
Effect on reserves	(755,427)	313,704	387,233	(192,800)

(ii) Foreign currency risk

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

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

	Group					
	2014			2013		
	USD '000	GBP '000	CDN 000	USD '000	GBP '000	CDN '000
Foreign currency assets	198,222	63,513	8,509	186,771	59,257	7,426
Foreign currency liabilities and Capital	(193,286)	(62,972)	(8,152)	(179,836)	(58,771)	(7,284)
Net foreign currency assets	4,936	541	357	6,935	486	142

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(ii) Foreign currency risk (cont'd)

	Society					
	2014			2013		
	USD '000	GBP '000	CDN 000	USD '000	GBP '000	CDN '000
Foreign currency assets	138,360	63,336	8,510	121,735	59,341	7,425
Foreign currency liabilities	(132,178)	(62,922)	(8,154)	(113,532)	(58,933)	(7,284)
Net foreign currency assets	6,182	414	356	8,203	408	141

Sensitivity to foreign exchange rate movements

A 1% (2013: 1%) strengthening of the Jamaica dollar against the following currencies at December 31, 2014 would have decreased profit by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2013.

	Group		Society	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollar	(5,647)	(7,355)	(7,072)	(8,699)
Pound Sterling	(957)	(849)	(732)	(713)
Canadian Dollar	(346)	(141)	(345)	(140)
	(6,950)	(8,345)	(8,149)	(9,552)

A 10% (2013: 15%) weakening of the Jamaica dollar against the following currencies at December 31, 2014 would have increased surplus by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2013.

	Group		Society	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollar	56,457	110,324	70,716	130,492
Pound Sterling	9,571	12,741	7,320	10,692
Canadian Dollar	3,462	2,114	3,454	2,101
	69,490	125,179	81,490	143,285

The VIctoria Mutual Building Society

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5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Market risks (cont'd)

(iii) Equity price risk

Equity price risk arises from available-for-sale 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.

The equity securities which the Group holds are listed on the Jamaica Stock Exchange. An increase or decrease of 10% (2013: 10%) in share prices would result in an increase or an equal decrease, respectively, in reserves of $45,556,000 (2013: $24,341,000) for the Group and $40,533,000 (2013: $20,216,000) for the Society.

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

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

The management of the Group ensures that sufficient funds are held in short-term marketable instruments to meet its liabilities when due, without incurring unacceptable losses or risk damage to the Group's reputation.

The daily liquidity position is monitored by reports covering the position of the Group. All liquidity policies and procedures are subject to review and approval by the Board.

The Society and Victoria Mutual Wealth Management Limited are subject to externally imposed liquidity ratios. These ratios are taken into account by management in their measurement and management of liquidity risk.

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

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5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(i) (Cont'd)

	Ratio of net liquid assets to deposits from customers 2014	2013
Regulator's minimum required ratio	5.00%	5.00%
Actual ratios:		
As at December 31	18.48%	12.86%
Average for the year	17.02%	13.66%
Highest % attained for the year	19.765%	15.17%
Lowest % attained for the year	11.81%	12.67%

(ii) The stockbroking subsidiary, Victoria Mutual Wealth Management Limited, manages liquidity risk by keeping a pre-determined portion of its financial assets in liquid form. The key measure used for monitoring liquidity risk is the ninety day liquidity gap ratio. The numerator is calculated by subtracting the total assets maturing within ninety days from the total liabilities which fall due in ninety days. The denominator is total liabilities. The ninety day liquidity gap ratio at the end of the year was as follows:

	Ninety day liquidity gap ratio 2014	2013
Regulator's minimum required ratio	25.00%	25.00%
Actual ratio	72.33%	74.37%

The following table presents the contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	Group						
	Within One month $'000	One to 3 months $'000	Three to 12 months $'000	One to 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
	2014						
Due to savers	111,901	46,871,501	12,399,577	8,369,641	-	67,752,620	60,584,397
Due to specialised institution	2,981,615	244	3,608	987,490	6,213,427	10,186,384	9,385,913
Repurchase agreements	-	8,796,368	3,426,431	-	-	12,222,799	12,295,848
Loan payable	-	1,866,803	-	-	-	1,866,803	1,840,721
Other liabilities	-	772,752	-	-	-	772,752	772,752
	2013						
Due to savers	93,442	43,623,683	9,829,555	5,493,167	-	59,039,847	54,509,776
Due to specialised institution	-	1,726,016	6,531	338,214	6,702,442	8,773,203	8,435,382
Repurchase agreements	-	8,311,199	3,067,224	-	-	11,378,423	11,076,243
Other liabilities	4,918	441,790	148,409	-	-	595,117	595,117

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

	Society						
	Within One month $'000	One to 3 months $'000	Three to 12 months $'000	One to 5 years $'000	Over 5 years $'000	Contractual cash flows $'000	Carrying amount $'000
				2014			
Due to savers	111,901	47,177,523	12,399,577	8,369,641	-	68,058,642	61,270,085
Due to specialised institution	2,981,615	244	3,608	987,490	6,213,427	10,186,384	9,385,913
Other liabilities	-	527,141	-	-	-	527,141	527,141
Loans payable	-	1,866,803	-	-	525,481	2,392,284	2,366,202
				2013			
Due to savers	93,442	43,880,539	9,829,555	5,493,167	-	59,296,703	54,766,633
Due to specialised institution	-	1,726,016	6,531	338,214	6,702,442	8,773,203	8,435,382
Loans payable	-	-	-	-	525,481	-	525,481
Other liabilities	-	380,398	-	-	-	380,398	380,398

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

(d) Operational risk

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

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

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to senior management. This responsibility is supported by overall Group standards for the management of operational risk in the following areas:

- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- appropriate segregation of duties, including the independent authorisation of transactions
- reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Operational risk (cont'd)

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

6. CAPITAL MANAGEMENT

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

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

(a) The Financial Services Commission monitors compliance with the capital requirements established for entities involved in non-deposit taking financial services. The Regulations apply to Victoria Mutual Wealth Management Limited, whose regulatory capital position as at the reporting date was as follows:

	2014 $'000	2013 $'000
Tier 1 Capital		
Ordinary share capital	115,000	115,000
Retained earnings	956,148	909,622
Current year surplus	126,750	46,526
	1,197,898	1,071,148
Less: Revaluation reserves	(5,817)	(143,226)
Total Tier 1 Capital	1,192,081	927,922
Tier 2 Capital		
Preference shares	42,934	42,667
Total qualifying capital	1,235,015	970,589
Risk weighted assets		
Deposits and other amounts due from local banks	13,322	16,253
Equity investments	44,760	35,901
Property, plant and equipment	47,237	36,787
Other assets	5,826,404	5,905,388
Foreign exchange exposure	218,294	145,709
	6,150,017	6,140,038

Capital ratios	Minimum required		Actual	
	2014	2013	2014	2013
Total regulatory qualifying capital/ Total risk weighted assets	10.00%	10.00%	20.08%	15.81%
Tier 1 Capital/Total regulatory capital	50.00%	50.00%	97.00%	95.60%
Capital base/Total assets	6.00%	6.00%	8.29%	7.14%

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

6. CAPITAL MANAGEMENT (CONT'D)

(b) Bank of Jamaica requires that building societies maintain a minimum of 10% (2013: 10%) of their risk weighted assets in capital.

	Society	
	2014	2013
	$'000	$'000
Capital base (note 28)	10,022,070	8,222,763
Qualifying capital	8,518,730	6,831,617
On balance sheet risk weighted assets	36,961,444	34,282,611
Off balance sheet risk weighted assets –Loan commitments	1,215,795	1,138,275
Foreign exchange exposure	2,209,871	1,897,795
Total risk assessed assets	40,387,110	37,318,681
Risk based capital adequacy ratio	21.09%	18.31%
Regulatory requirement	10.00%	10.00%

7. CASH AND CASH EQUIVALENTS

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash in hand and at banks and other financial institutions	2,454,745	2,250,957	2,339,243	2,076,396
Statutory reserves held at Bank of Jamaica	573,284	610,619	573,284	610,619
Term deposits at banks	7,239,768	8,867,441	7,239,768	8,867,441
	10,267,797	11,729,017	10,152,295	11,554,456

Statutory reserves, required by regulation to be held at Bank of Jamaica, comprise cash reserves. They are not available for use by the Society in the ordinary course of business. The amounts are determined by the percentage of specified liabilities stipulated by Bank of Jamaica (see note 2). For the rate to remain at no more than one percent of specified liabilities, as defined, the Society must have qualifying assets of a stipulated percentage of the specified liabilities, currently 40% (2013: 40%).

The VIctoria Mutual Building Society

Notes to the Financial Statements

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8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES

These are securities issued or guaranteed by Government of Jamaica and comprise the following:

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Available-for-sale securities				
Securities denominated in				
United States dollars:				
Bonds	6,688,762	7,830,559	1,632,963	2,438,787
Securities denominated in				
Jamaica dollars:				
Bonds	9,298,080	9,256,929	9,282,429	9,241,285
Certificates of deposit	5,555,330	5,734,437	-	-
	14,853,410	14,991,366	9,282,429	9,241,285
	21,542,172	22,821,925	10,915,392	11,680,072
Fair value through profit or loss				
Securities denominated in				
Jamaica dollar:				
Derivative - Put option	221,311	260,125	221,311	260,125
Loans and receivables				
Securities denominated in				
United States dollars:				
Bonds	1,718,957	2,972,001	1,678,078	2,933,107
Securities denominated in:				
Jamaica dollars:				
Certificates of deposit	101,000	-	101,000	-
Indexed bonds	160,055	-	160,055	-
United States dollars:				
Certificates of deposit	1,830,240	-	1,830,240	-
Pounds Sterling:				
Certificates of deposit	2,475,507	-	2,475,507	-
	6,285,759	2,972,001	6,244,880	2,933,107
	28,049,242	26,054,051	17,381,583	14,873,304

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES (CONT'D)

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

	Group		Society	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Within 3 months	160,055	1,302,206	160,055	919,292
From 3 months to 1 year	2,357,962	106,381	522,282	-
From 1 year to 5 years	11,326,606	5,929,393	7,755,300	2,830,561
Thereafter	14,204,619	18,716,071	8,943,946	11,123,451
	28,049,242	26,054,051	17,381,583	14,873,304

Certain Government of Jamaica securities are pledged by the Group as collateral for repurchase agreements (note 23).

Reclassification of financial assets

As at October 1, 2008, the Group reclassified certain investment securities, previously classified as available-for-sale, to loans and receivables, in accordance with paragraph 50(E) of IAS 39. The standard requires that the reclassification be made at the fair value of the assets at the date of the reclassification.

	2014		2013	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
	Group			
US$ denominated GOJ Global bonds	153,126	148,374	143,621	141,070
	Society			
US$ denominated GOJ Global bonds	112,247	108,018	104,726	102,558

(a) Fair value gains/(losses) of $4,217,000 (2013: $2,157,000) for the Group and $4,228,000 (2013: $2,167,000) for the Society, excluding deferred taxation, would have been included in reserves for the year had the investments not been reclassified as loans and receivables. This amount was estimated on the basis of the bid price of the securities as at December 31, 2014. Management believes that this price is indicative of the active market for the securities at that date.

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

8. INVESTMENTS - JAMAICA GOVERNMENT SECURITIES (CONT'D)

(b) The annual weighted average effective interest rate on the investment securities at the date of reclassification was 9.76% for USD denominated securities and 10.50% for EURO denominated securities, for the Group, and 11.625% for USD denominated securities for the Society. The undiscounted cash flows to be recovered from the investment securities reclassified are $222,432,000 (2013: $189,274,000) for the Group and $162,734,000 (2013:$160,234,000) for the Society.

9. INVESTMENTS – OTHER

	Group		Society	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Loans and receivables:				
Bank deposits	9,184	26,481	-	-
Bonds	3,377,182	2,931,747	3,377,182	2,931,747
Held to maturity securities:				
Bonds	83,351	90,750	83,351	90,750
Available-for-sale:				
Bonds	1,521,575	317,216	461,413	317,216
Ordinary shares - quoted	455,563	243,411	405,334	202,161
Ordinary shares - unquoted	39	39	39	39
Units in unit trusts	9,140	8,609	9,140	8,609
	5,456,034	3,618,253	4,336,459	3,550,522

Bank deposits include certificates of deposit issued by Bank of Jamaica.

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

	Group		Society	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
No maturity	464,742	246,710	414,513	210,809
Within 3 months	8,170	26,481	-	-
From 3 months to 1 year	44,417	5,349	44,417	-
From 1 year to 5 years	2,910,329	1,216,358	2,909,314	1,216,358
Thereafter	2,028,376	2,123,355	968,215	2,123,355
	5,456,034	3,618,253	4,336,459	3,550,522

10. RESALE AGREEMENTS

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

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

10. RESALE AGREEMENTS (CONT'D)

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Denominated in Jamaica dollars	6,111,707	5,492,573	7,734,365	5,756,488
Denominated in Sterling 1,169,531	1,251,486	1,169,531	1,251,486	
Denominated in United States dollars	8,508,501	4,247,637	5,021,492	2,695,920
	15,789,739	10,991,696	13,925,388	9,703,894

Under resale agreements, the securities obtained as collateral may themselves be sold under repurchase agreements (see note 23). At December 31, 2014, such securities had a fair value of $17,985,439,000 (2013: $12,563,904,000) and $16,091,446,000 (2013: $10,343,713,000) for the Group and the Society, respectively.

11. LOANS

(a) Composition of loans

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Conventional mortgage loans	29,481,563	26,094,367	29,502,315	26,094,367
Mortgage escrow (see below)	440,817	271,159	440,817	271,159
Allowance for impairment	(171,442)	(193,816)	(171,442)	(193,816)
Net conventional mortgage loans	29,750,938	26,171,710	29,771,690	26,171,710
Share loans	1,072,389	893,255	1,072,389	893,255
Commercial loans	20,784	31,051	20,784	51,554
Staff loans	81,548	73,836	81,548	73,836
Total loans, net	30,925,659	27,169,852	30,946,411	27,190,355

Mortgage escrow

This represents insurance premiums paid by the Society on behalf of mortgagors. These amounts are recoverable over one year and are collected as part of monthly mortgage instalments.

(b) Allowance for impairment

	Group and Society	
	2014	2013
	$'000	$'000
Balances at the beginning of the year	193,816	291,442
Charged against income for the year	(15,267)	11,080
Allowance no longer required	(7,107)	(108,706)
Balances at the end of the year per IAS 39 [see (c) below]	171,442	193,816

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

11. LOANS (CONT'D)

(c) Credit facility reserve

	Group and Society	
	2014	2013
	$'000	$'000
Regulatory impairment allowance	1,455,539	1,381,750
Less: Impairment allowance based on IAS 39 [see (b) above]	(171,442)	(193,816)
Credit facility reserve at end of year	1,284,097	1,187,934

The impairment allowance in excess of the amount required under IFRS is included in a non-distributable credit facility reserve [note 27(iv)].

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

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within three months	277,144	115,255	277,144	115,255
3 months to 1 year	137,951	115,219	137,951	115,219
From 1 year to 5 years	2,150,450	1,990,349	2,150,450	1,990,349
Thereafter	28,360,114	24,949,029	28,380,866	24,969,532
	30,925,659	27,169,852	30,946,411	27,190,355

12. OTHER ASSETS

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000 (Restated)	$'000	$'000
Interest receivable	987,818	600,545	807,446	582,678
Income tax recoverable	723,363	519,696	692,647	485,194
Late fees	19,533	172,202	19,533	172,202
Sundry receivables and prepayments	432,810	491,599	254,552	253,143
	2,163,524	1,784,042	1,774,178	1,493,217

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13. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

Deferred tax assets are attributable to the following:

	Group						
	2012 $'000	Recognised in income $'000	Recognised in equity $'000	2013 $'000	Recognised in income $'000	Recognised in equity $'000	2014 $'000
Investments	26,230	4,253	53,008	83,491	16,130	(72,058)	27,563
Other receivables	(27,434)	(13,033)	-	(40,467)	463	-	(40,004)
Property, plant and equipment	(2,792)	197	-	(2,595)	1,204	-	(1,391)
Other liabilities	25,981	6,621	-	32,602	3,497	-	36,099
Employee benefit obligation	5,466	1,242	4,467	11,175	3,516	4,200	18,891
Unrealised foreign exchange (loss)/gain	(1,572)	8,282	-	6,710	(11,587)	-	(4,877)
Provision for vacation leave	776	(340)	-	436	-	-	436
	26,655	7,222	57,475	91,352	13,223	(67,858)	36,717

Deferred tax assets of approximately $4,863,000 (2013: $4,896,000) have not been recognised in respect of tax losses of certain subsidiaries [note 35(b)] as, at this time, management does not consider that, in the foreseeable future, it is probable that taxable profits will be available against which the asset will be realised.

(b) Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group						
	2012 $'000	Recognised in income $'000	Recognised in equity $'000	2013 $'000	Recognised in income $'000	Recognised in equity $'000	2014 $'000
Other receivables	(332)	(25)	-	(357)	112	-	(245)
Employee benefit asset	(437,370)	(93,720)	-	(531,090)	(32,580)	95,460	(468,210)
Property, plant and equipment	(1,512)	5,863	-	4,351	42,051	-	46,402
Employee benefit obligation	93,271	88,979	(2,370)	179,880	45,476	59	225,415
	(345,943)	1,097	(2,370)	(347,216)	55,059	95,519	(196,638)

	Society						
	2012 $'000	Recognised in income $'000	Recognised in equity $'000	2013 $'000	Recognised in income $'000	Recognised in equity $'000	2014 $'000
Employee benefit asset	(437,370)	(93,720)	-	(531,090)	(32,580)	95,460	(468,210)
Property, plant and equipment	(1,512)	5,863	-	4,351	42,051	-	46,402
Employee benefit obligation	93,271	88,979	(2,370)	179,880	45,476	59	225,415
	(345,611)	1,122	(2,370)	(346,859)	54,947	95,519	(196,393)

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

14. EMPLOYEE BENEFIT ASSET/OBLIGATION

The Group provides post-employment pension benefits through a defined-contribution pension plan and defined-benefit pension plan, both administered by trustees.

The defined-contribution plan is closed to new entrants and there are no further contributions. The defined-benefit plan is funded by contributions from the Group and employees in accordance with the rules of the plan.

Under the defined-contribution plan, retirement benefits are based on the Group's and employees' accumulated contributions plus interest and, therefore, the Group has no further liability to fund benefits. The defined-benefit plan, under which retirement benefits are calculated by reference to, *inter alia,* final salary, is subject to a triennial actuarial funding valuation, the most recent being as at December 31, 2013. For purposes of determining the employee benefit asset or obligation included in the financial statements at the end of the period and the costs for the period, an IAS 19 actuarial valuation is done each year.

The Group also provides post-employment medical benefits to retirees.

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

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Employee benefit asset (i)	1,560,700	1,770,300	1,560,700	1,770,300
Post-employment medical benefit obligation (ii)	811,883	711,885	751,383	675,185

(i) Employee benefit asset

	Group and Society	
	2014	2013
	$'000	$'000
(a) Amount recognised in the statement of financial position		
Present value of funded obligations	(2,826,800)	(2,236,900)
Fair value of plan assets	4,387,500	4,009,800
	1,560,700	1,772,900
Effect of asset ceiling	-	(2,600)
	1,560,700	1,770,300

The VIctoria Mutual Building Society

Notes to the Financial Statements

December 31, 2014

14. EMPLOYEE BENEFIT ASSET/OBLIGATION (CONT'D)

(i) Employee benefit asset (cont'd)

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

	Group and Society	
	2014 $'000	2013 $'000
Balance at beginning of year	2,236,900	2,031,600
Benefits paid	(160,700)	(180,500)
Voluntary contributions	23,300	22,700
Service cost	96,100	83,800
Interest cost	215,800	212,300
Gain on curtailment	-	(89,200)
Transfer in	56,800	-
Re-measurement loss/(gain) arising from:		
Experience adjustment	176,200	(48,400)
Demographic assumption	182,400	-
Financial assumption	-	204,600
Balance at end of year	2,826,800	2,236,900

(c) Movement in plan assets

	2014 $'000	2013 $'000
Fair value of plan assets at beginning of year	4,009,800	3,920,800
Contributions paid into the plan	66,800	61,800
Benefits paid by the plan	(160,700)	(180,500)
Transfers in	56,800	-
Net interest income on plan assets	377,200	405,500
Re-measurement gain/(loss) on assets included in OCI	37,600	(197,800)
Fair value of plan assets at end of year	4,387,500	4,009,800
Plan assets consist of the following:		
Equity securities	977,200	868,400
Government securities	2,355,100	2,231,900
Resale agreements	334,200	478,900
Other assets	721,000	430,600
	4,387,500	4,009,800

(d) Income recognised in profit or loss

	2014 $'000	2013 $'000
Current service costs	56,400	48,300
Interest on obligation	215,800	212,300
Net interest income on plan assets	(377,200)	(405,500)
Interest on effect of asset ceiling	200	45,300
Effect of curtailment /settlement	-	(89,200)
	(104,800)	(188,800)

(e) Items recognised in other comprehensive income

	2014 $'000	2013 $'000
Re-measurement loss in obligation	358,600	156,200
Re-measurement (gain)/loss in asset	(37,600)	197,800
Change in effect of asset ceiling	(2,800)	(474,000)
	318,200	(120,000)

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Notes to the Financial Statements

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14. EMPLOYEE BENEFIT ASSET/OBLIGATION (CONT'D)

(i) Employee benefit asset (cont'd)

(f) Principal actuarial assumptions at the reporting date (expressed as Group and Society weighted averages)

	Group and Society	
	2014	2013
	%	%
Discount rate at December 31	9.5	9.5
Future salary increases	6.0	6.0
Future pension increases	5.0	5.0

(g) Sensitivity analysis

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

	Group and Society	
Actuarial assumption	1% point increase $'000	1% point decrease $'000
Discount rate	(367,900)	474,100
Assumed rate of salary escalation	142,600	(122,100)
Future rate of pension	292,800	(245,300)

(ii) Other post employment benefits

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

(a) Movement in present value of defined benefit obligation

	Group		Society	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Present value of obligation at the start of the year	711,885	333,004	675,185	310,904
Interest cost	71,838	35,198	66,538	33,198
Current service cost	50,959	18,435	32,759	16,435
Benefit paid	(14,089)	(13,543)	(14,089)	(13,543)
Gain on curtailment	(100)	(30,500)	-	(29,000)
Re-measurement loss/(gain) arising from:				
Changes in demographic assumptions	70,918	-	70,518	-
Experience adjustment	(79,965)	518,191	(79,965)	506,091
Financial assumptions	437	(148,900)	437	(148,900)
	811,883	711,885	751,383	675,185

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14. EMPLOYEE BENEFIT ASSET/OBLIGATION (CONT'D)

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

(b) Expense recognised in profit or loss

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current service costs	50,959	18,235	32,759	16,435
Interest cost	71,838	35,098	66,538	33,198
Effects of curtailment	-	(30,500)	-	(29,000)
	122,797	22,833	99,297	20,633

(c) Items in other comprehensive income

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Re-measurement loss on obligation	(8,610)	369,291	(9,010)	357,191

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

	Group and Society	
	2014	2013
	%	%
Discount rate	9.5	9.5
Medical claims growth	7.5	7.5

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

The overall expected long-term rate of return on assets is nine percent (9%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The Group expects to pay $8,615,592 in contributions to the defined-benefit plan in 2015.

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14. EMPLOYEE BENEFIT ASSET/OBLIGATION (CONT'D)

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

(e) Sensitivity to changes in actuarial assumptions

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

	Group			
	2014		2013	
	1% point increase J$'000	1% point decrease J$'000	1% point increase J$'000	1% point decrease J$'000
Assumed medical cost trend rate and rate of salary escalation	179,400	(138,900)	199,200	62,400
Discount rate	(138,900)	179,400	(62,400)	199,200

	Society			
	2014		2013	
	1% point increase J$'000	1% point decrease J$'000	1% point increase J$'000	1% point decrease J$'000
Assumed medical cost trend rate and rate of salary escalation	160,900	(125,400)	236,400	(101,900)
Discount rate	(125,400)	160,900	(101,900)	236,400

15. INTEREST IN SUBSIDIARIES

	Society	
	2014 $'000	2013 $'000 (Restated)
Shares, at cost [see note 1(b)]	929,610	929,526
Current accounts	63,965	63,338
	993,575	992,864

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16. INTEREST IN ASSOCIATE

The carrying amount of interest in associated company represents the cost of shares acquired and the Group's share of post acquisition reserves, viz:

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Shares, at cost	659,200	659,200	659,200	659,200
Share of post-acquisition profits	201,012	241,119	-	-
Share of investment revaluation reserve	38,559	7,558	-	-
	898,771	907,877	659,200	659,200

The following table summarises the financial information of British Caribbean Insurance Company Limited (BCIC) showing fair value adjustments on acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in this material associate.

	2014	2013
	$'000	$'000
Percentage ownership interest	**31.5%**	**31.5%**
Assets	7,478,779	6,633,906
Liabilities	(4,848,680)	(4,229,022)
Net assets (100%)	2,630,099	2,404,884
Group's share of net assets	828,481	757,538
Fair value adjustments and elimination of differences in accounting policies and intra-group transactions	70,290	150,339
Carrying amount of interest in BCIC	898,771	907,877
Revenue	5,749,760	4,494,173
Profit for the year	380,997	342,460
Other comprehensive income, net of tax	98,415	(25,142)
Total comprehensive income	479,412	317,318
Group's share of total comprehensive income	151,015	99,955
Group's share of profit for year	120,014	107,875

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17. INTANGIBLE ASSETS

	Group				Society		
	Goodwill	Computer software	Improvements in progress	Total	Computer software	Improvements in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
December 31, 2012	7,940	311,394	72,065	391,399	261,480	72,065	333,545
Acquired through business combination	601,275	-	-	601,275	-	-	-
Additions	-	2,827	24,956	27,783	-	24,956	24,956
Transfers	-	3,591	(3,591)	-	3,591	(3,591)	-
December 31, 2013	609,215	317,812	93,430	1,020,457	265,071	93,430	358,501
Additions	-	279	78,093	78,372	-	78,093	78,093
Transfers	-	84,517	(84,517)	-	84,517	(84,517)	-
December 31, 2014	609,215	402,608	87,006	1,098,829	349,588	87,006	436,594
Amortisation:							
December 31, 2012	-	233,187	-	233,187	207,275	-	207,275
Charge for year	-	27,662	-	27,662	21,542	-	21,542
December 31, 2013	-	260,849	-	260,849	228,817	-	228,817
Charge for year	-	37,542	-	37,542	31,336	-	31,336
December 31, 2014	-	298,391	-	298,391	260,153	-	260,153
Carrying value							
December 31, 2014	609,215	104,217	87,006	800,438	89,435	87,006	176,441
December 31, 2013	609,215	56,963	93,430	759,608	36,254	93,430	129,684
December 31, 2012	7,940	78,207	72,065	158,212	54,205	72,065	126,270

Goodwill comprises the excess of cost over fair value of the net assets of the subsidiary acquired in 2013. In testing goodwill for impairment, the recoverable amount of the cash-generating unit is estimated based on value-in-use. Where the recoverable amount exceeds the carrying amount, no impairment provision is made. The recoverable amount of the cash-generating unit is arrived at by estimating the future cash flows and discounting those cash flows using long-term discount rates applicable to Jamaica. Future sustainable cash flows are estimated based on the most recent projections, after taking account of past experience. The cash flow projections include specific estimates for each of the five years following the reporting date, and a terminal value thereafter. These annual estimates and the terminal value are calculated using an assumed growth rate.

No impairment loss was recognized during the year (2013: Nil) because the recoverable amount of the cash-generating unit was determined to be higher than the carrying amount.

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

	2014
Discount rate	21%
Growth rate	4%
Jamaica dollar devaluation rate	8%

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18. INVESTMENT AND FORECLOSED PROPERTIES

	Group			Society		
	Investment properties $'000	Foreclosed properties $'000	Total $'000	Investment properties $'000	Foreclosed properties $'000	Total $'000
Cost:						
December 31, 2012	408,033	337,660	745,693	408,033	456,959	864,992
Additions:						
Improvements (note 19)	24,162	-	24,162	24,162	-	24,162
Properties acquired by way of foreclosure	-	80,447	80,447	-	80,447	80,447
Disposals	-	(115,030)	(115,030)	-	(115,030)	(115,030)
December 31, 2013	432,195	303,077	735,272	432,195	422,376	854,571
Additions:						
Transfers from property, plant and equipment (note 19)	3,026	-	3,026	3,026	-	3,026
Properties acquired by way of foreclosure	-	55,533	55,533	-	55,533	55,533
Disposals	-	(99,551)	(99,551)	-	(99,551)	(99,551)
December 31, 2014	435,221	259,059	694,280	435,221	378,358	813,579
Depreciation:						
December 31, 2012	61,442	8,932	70,374	61,442	10,911	72,353
Charge for the year	6,302	11,798	18,100	6,302	11,798	18,100
Eliminated on disposals	-	(4,308)	(4,308)	-	(4,308)	(4,308)
December 31, 2013	67,744	16,422	84,166	67,744	18,401	86,145
Charge for the year	6,817	10,686	17,503	6,817	10,686	17,503
Eliminated on disposals	-	(7,404)	(7,404)	-	(7,404)	(7,404)
December 31, 2014	74,561	19,704	94,265	74,561	21,683	96,244
Net book values:						
December 31, 2014	360,660	239,355	600,015	360,660	356,675	717,335
December 31, 2013	364,451	286,655	651,106	364,451	403,975	768,426
December 31, 2012	346,591	328,728	675,319	346,591	446,048	792,639

The fair values of investment properties were determined, in the case of properties acquired by way of foreclosure, by several different VMBS-approved qualified independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, and, in the case of other properties, by Victoria Mutual (Property Services) Limited (note 1). This fair value measurement has been categorised as Level 3 based on the inputs to the valuation techniques used.

(a) Reconciliation of opening to closing fair value

	Group and Society						
	2012 $'000	Additions $'000	Disposals $'000	2013 $'000	Additions $'000	Disposals $'000	2014 $'000
Investment properties	1,640,400	124,600*	-	1,765,000	132,300*	-	1,897,300
Foreclosed properties	886,647	172,250	(211,656)	847,241	55,533	(99,551)	803,223
	2,527,047	296,850	(211,656)	2,612,241	187,833	(99,551)	2,700,523

* Gain on revaluation

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18. INVESTMENT PROPERTIES (CONT'D)

(b) Valuation techniques and significant unobservable inputs

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

19. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold and freehold land and buildings $'000	Office furniture and equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost:					
December 31, 2012	249,703	1,144,976	18,485	58,556	1,471,720
Translation adjustments	1,126	8,912	3,430	-	13,468
Additions	15,922	12,406	5,900	176,001	210,229
Transfer from work in progress	40,907	90,004	-	(130,911)	-
Transfer to investment property (note 18)	-	-	-	(24,162)	(24,162)
Disposals	(1,012)	(12,149)	(1,136)	-	(14,297)
December 31, 2013	306,646	1,244,149	26,679	79,484	1,656,958
Translation adjustments	3,976	781	-	-	4,757
Additions	13,752	22,341	281	167,224	203,598
Transfer from work in progress	42,492	165,475	-	(207,967)	-
Transfer to investment property (note 18)	-	-	-	(3,026)	(3,026)
Disposals	-	(5,746)	(116)	-	(5,862)
December 31, 2014	366,866	1,427,000	26,844	35,715	1,856,425
Depreciation:					
December 31, 2012	78,085	835,427	6,618	-	920,130
Translation adjustments	(2,564)	18,739	-	-	16,175
Charge for year	10,000	65,519	7,546	-	83,065
Eliminated on disposals	(922)	(11,920)	(1,136)	-	(13,978)
December 31, 2013	84,599	907,765	13,028	-	1,005,392
Translation adjustments	(2,382)	739	-	-	(1,643)
Charge for year	12,788	87,736	4,341	-	104,865
Eliminated on disposals	-	(5,470)	(116)	-	(5,586)
December 31, 2014	95,005	990,770	17,253	-	1,103,028
Net book values:					
December 31, 2014	271,861	436,230	9,591	35,715	753,397
December 31, 2013	222,047	336,384	13,651	79,484	651,566
December 31, 2012	171,618	309,549	11,867	58,556	551,590

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19. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Society				
	Leasehold and freehold land and buildings $'000	Office furniture & equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost:					
December 31, 2012	220,855	1,042,983	18,370	58,556	1,340,764
Additions	12,504	1,316	5,900	176,001	195,721
Transfer from work in progress	40,907	90,004	-	(155,073)	(24,162)
Eliminated on disposals	-	(1,397)	(1,136)	-	(2,533)
December 31, 2013	274,266	1,132,906	23,134	79,484	1,509,790
Additions		1,849	-	167,224	169,073
Transfer to investment property (note 18)	-	-	-	(3,026)	(3,026)
Transfer from work in progress	42,492	165,475	-	(207,967)	-
Eliminated on disposals	-	(503)	-	-	(503)
December 31, 2014	316,758	1,299,727	23,134	35,715	1,675,334
Depreciation:					
December 31, 2012	65,457	752,961	6,502	-	824,920
Charge for year	5,403	67,397	4,116	-	76,916
Eliminated on disposals	-	(1,216)	(1,136)	-	(2,352)
December 31, 2013	70,860	819,142	9,482	-	899,484
Charge for year	6,511	81,263	4,313	-	92,087
Eliminated on disposals	-	(504)	-	-	(504)
December 31, 2014	77,371	899,901	13,795	-	991,067
Net book values:					
December 31, 2014	239,387	399,826	9,339	35,715	684,267
December 31, 2013	203,406	313,764	13,652	79,484	610,306
December 31, 2012	155,398	290,022	11,868	58,556	515,844

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20. SHAREHOLDERS' SAVINGS

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
General investment ("B") shares	1,381,418	1,376,888	1,381,418	1,376,888
Paid up investment ("C") shares	55,610,991	50,539,693	56,296,679	50,796,550
	56,992,409	51,916,581	57,678,097	52,173,438
Deferred shares [notes 27(i) and 28]	2,585,954	1,455,657	2,585,954	1,455,657
	59,578,363	53,372,238	60,264,051	53,629,095

Deferred shares are issued on terms that they shall not be withdrawable before the expiration of three years and may be interest bearing.

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

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
On demand to 3 months	45,948,700	43,613,381	45,947,687	43,693,669
Three to 12 months	11,392,578	8,988,596	11,392,578	8,988,596
Over 12 months	2,237,085	770,261	2,923,786	946,830
	59,578,363	53,372,238	60,264,051	53,629,095

21. DEPOSITORS' SAVINGS

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Due to depositors	1,006,034	1,137,538	1,006,034	1,137,538
Percentage of the Society's mortgage loan balances *	3.41%	4.36%	3.41%	4.36%

* See section 27(B) of the Building Society's Act

22. OTHER LIABILITIES

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deposits – private treaty sales	58,841	43,318	58,841	43,318
Customers' and clients' funds	266,423	225,676	217,715	134,570
Accrued expenses and other payables	447,488	326,123	250,585	202,510
	772,752	595,117	527,141	380,398

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23. REPURCHASE AGREEMENTS

The Group sells Government and corporate securities, or interests therein, and agrees to repurchase them on a specified date and at a specified price prior to their maturity ("repurchase agreements").

	Group	
	2014 $'000	2013 $'000
Denominated in Jamaica dollars	4,596,282	4,478,530
Denominated in United States dollars	7,699,566	6,597,713
	12,295,848	11,076,243

At December 31, 2014, securities obtained under resale agreements and certain investments (see notes 8 and 10) and interest accrued thereon are pledged as collateral for repurchase agreements. These financial instruments have a carrying value of $14,123,051,000 (2013: $11,189,921,000) for the Group.

24. INSURANCE UNDERWRITING PROVISIONS

	Group	
	2014 $'000	2013 $'000
Outstanding claims	381	353

25. LOANS PAYABLE

	Group		Society	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000 (Restated)
Jamaica dollar loan [see (a) below]	1,808,198	-	1,808,198	-
Jamaica dollar loan [see (b) below]	-	-	525,481	525,481
Interest payable	32,523	-	32,523	-
Total	1,840,721	-	2,366,202	525,481

(a) This loan bears interest of 6.50% per annum. The loan will mature March 23, 2015. The loan is secured by bonds issued by the Government of Jamaica amounting to $2,548,000,000.

(b) This loan, payable to a subsidiary, is unsecured and interest-free, and the repayment date has not been fixed. However, in the event of a default, the loan shall bear interest at 4% per annum.

26. PERMANENT CAPITAL FUND

The regulations (see note 2) require that every building society maintain a minimum subscribed capital of $25,000,000. At least four-fifths of such subscribed capital is to be paid up in cash. In view of the non-applicability of "subscribed capital" to a mutual society, and in accordance with an agreement with Bank of Jamaica, pending passage of appropriate legislation, a "Permanent Capital Fund" has been established in lieu of subscribed capital [see note 27(i)].

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27. RESERVES

(i) Reserve fund

The regulations (see note 2) require the Society to transfer at least 10% of its net surplus after income tax each year to the reserve fund until the amount of the reserve fund is equal to the amount paid up on its Permanent Capital Fund [which, though not formally recognised, is the fund substituted for the capital shares referred to in the regulations (see notes 26 and 28)] and its deferred shares (note 20).

(ii) Retained earnings reserve

The regulations (see note 2) permit the Society to transfer a portion of its profits to a retained earnings reserve, which constitutes a part of the capital base (see note 28). Transfers of profits to the retained earnings reserve are made at the discretion of the Directors, but must be notified to Bank of Jamaica to be effective.

(iii) Capital reserve on consolidation

Capital reserve on consolidation represents primarily subsidiaries' post acquisition retained earnings capitalised by the issue of bonus shares.

(iv) Credit facility reserve

Credit facility reserve represents provisions for loan losses required under the Building Societies Act in excess of the requirements of IFRS [see notes 4(m)(i) and 11(c)].

(v) Investment revaluation reserve

Investment revaluation reserve represents cumulative unrealised gains, net of losses, arising from the changes in fair value of available-for-sale investments until the investment is derecognised or impaired.

(vi) Currency translation reserve

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

28. CAPITAL BASE

	Group and Society	
	2014	2013
	$'000	$'000
Permanent capital fund (note 26)	6,363,075	5,968,662
Reserve fund [note 27(i)]	782,725	694,457
Retained earnings reserve [note 27(ii)]	290,316	103,987
Deferred shares (note 20)	2,585,954	1,455,657
Total capital base [note 6(b)]	10,022,070	8,222,763

Capital base has the meaning ascribed in the regulations (see note 2).

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29. FAIR VALUE OF FINANCIAL INSTRUMENTS

(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 categorized into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

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

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

Level 3 refers to financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

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

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

Type	Valuation techniques
US$ denominated GOJ securities	• Obtain bid price provided by a recognized broker/dealer, namely, Oppenheimer • Apply price to estimate fair value
J$ denominated securities issued or guaranteed by GOJ	• Obtain bid price provided by a recognized pricing source (which uses Jamaica-market-supplied indicative bids) • Apply price to estimate fair value
Units in unit trusts	• Obtain prices quoted by unit trust managers • Apply price to estimate fair value

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

(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. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Group 2014									
		Carrying amount						Fair value			
	Notes	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Government of Jamaica	8	-	15,986,842	-	-	-	15,986,842	-	15,986,842	-	15,986,842
Certificates of deposit	8	-	5,555,330	-	-	-	5,555,330	-	5,555,330	-	5,555,330
Derivative	8	-	-	221,311	-	-	221,311	-	221,311	-	221,311
Ordinary shares - quoted	9	-	410,803	44,760	-	-	455,563	455,563	-	-	455,563
Ordinary shares - unquoted	9	-	39	-	-	-	39	39	-	-	39
Investments - other	9	-	1,521,575	-	-	-	1,521,575	-	1,521,575	-	1,521,575
Units in unit trust	9	-	9,140	-	-	-	9,140	-	9,140	-	9,140
		-	23,483,729	266,071	-	-	23,749,800	455,602	23,294,198	-	23,749,800
Financial assets not measured at fair value:											
Cash and cash equivalents	7	10,267,797	-	-	-	-	10,267,797				
Certificates of deposit	8	4,406,747	-	-	-	-	4,406,747				
Indexed bond	8	160,055	-	-	-	-	160,055				
US$ denominated securities	8	1,718,957	-	-	-	-	1,718,957	-	2,787,289	-	2,787,289
Investments - other	9	3,377,182	-	-	83,351	-	3,460,533				
Bank deposits	9	9,184	-	-	-	-	9,184				
Resale agreements	10	15,789,739	-	-	-	-	15,789,739				
Loans receivable	11	30,925,659	-	-	-	-	30,925,659				
Other assets	12	2,163,524	-	-	-	-	2,163,524				
		68,818,844	-	-	83,351	-	68,902,195				
Financial liabilities not measured at fair value:											
Shareholders' savings	20	-	-	-	-	59,578,363	59,578,363				
Depositors' savings	21	-	-	-	-	1,006,034	1,006,034				
Due to specialised institution		-	-	-	-	9,385,913	9,385,913				
Other liabilities	22	-	-	-	-	772,752	772,752				
Loans payable	25	-	-	-	-	1,840,721	1,840,721				
		-	-	-	-	72,583,783	72,583,783				

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

(c) Accounting classifications and fair values (cont'd)

		Group										
		2013										
		Carrying amount						Fair value				
	Notes	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Government of Jamaica	8	-	17,087,488	-	-	-	17,087,488	-	17,087,488	-	17,087,488
Certificates of deposit	8	-	5,734,437	-	-	-	5,734,437	-	5,734,437	-	5,734,437
Derivative	8	-	-	260,125	-	-	260,125	-	260,125	-	260,125
Ordinary shares - quoted	9	-	207,510	35,901	-	-	243,411	243,411	-	-	243,411
Ordinary shares - unquoted	9	-	39	-	-	-	39	39	-	-	39
Investments - other	9	-	317,216	-	-	-	317,216	-	317,216	-	317,216
Units in unit trust	9	-	8,609	-	-	-	8,609	-	8,609	-	8,609
		-	23,355,299	296,026	-	-	23,651,325	243,450	23,407,875	-	23,651,325
Financial assets not measured at fair value:											
Cash and cash equivalents	7	11,729,017	-	-	-	-	11,729,017				
US$ denominated securities	8	2,972,001	-	-	-	-	2,972,001	-	2,746,410	-	2,746,410
Investments - other	9	2,931,747	-	-	90,750		3,022,497				
Bank deposits	9	26,481	-	-	-	-	26,481				
Resale agreements	10	10,991,696	-	-	-	-	10,991,696				
Loans receivable	11	27,169,852	-	-	-	-	27,169,852				
Other assets	12	1,784,042	-	-	-	-	1,784,042				
		57,604,836	-	-	90,750	-	57,695,586				
Financial liabilities not measured at fair value:											
Shareholders' savings	20	-	-	-	-	53,372,238	53,372,238				
Depositors' savings	21	-	-	-	-	1,137,538	1,137,538				
Due to specialised institution		-	-	-	-	8,435,382	8,435,382				
Other liabilities	22	-	-	-	-	595,117	595,117				
		-	-	-	-	63,540,275	63,540,275				

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

(c) Accounting classifications and fair values (cont'd)

		Society									
		2014									
		Carrying amount						Fair value			
	Notes	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Government of Jamaica securities	8	-	10,915,392	-	-	-	10,915,392	-	10,915,392	-	10,915,392
Derivative	8	-	-	221,311	-	-	221,311	-	221,311	-	221,311
Ordinary shares quoted	9	-	405,334	-	-	-	405,334	405,334	-	-	405,334
Ordinary shares unquoted	9	-	39	-	-	-	39	39	-	-	39
Investments - other	9	-	461,414	-	-	-	461,414	-	461,414	-	461,414
Units in unit trust	9	-	9,140	-	-	-	9,140	-	9,140	-	9,140
		-	11,791,319	221,311	-	-	12,012,630	405,373	11,607,257	-	12,012,630
Financial assets not measured at fair value:											
Cash and cash equivalents	7	10,152,295	-	-	-	-	10,152,295				
Certificates of deposit	8	4,406,747	-	-	-	-	4,406,747				
US$ denominated securities	8	1,678,078	-	-	-	-	1,678,078	-	1,698,692	-	1,698,692
Investments - other	9	3,377,182	-	-	83,351	-	3,460,533				
Resale agreements	10	13,925,388	-	-	-	-	13,925,388				
Loans receivable	11	30,946,411	-	-	-	-	30,946,411				
Other assets	12	1,774,178	-	-	-	-	1,774,178				
		66,260,279	-	-	83,351	-	66,343,630				
Financial liabilities not measured at fair value:											
Shareholders' savings	20	-	-	-	-	60,264,051	60,264,051				
Depositors' savings	21	-	-	-	-	1,006,034	1,006,034				
Due to specialised institutions		-	-	-	-	9,385,913	9,385,913				
Other liabilities	22	-	-	-	-	527,141	527,141				
Loans payable	25	-	-	-	-	2,366,202	2,366,202				
		-	-	-	-	73,549,341	73,549,341				

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

(c) Accounting classifications and fair values (cont'd)

		Society									
		2013									
		Carrying amount						Fair value			
	Notes	Loans and receivables $'000	Available-for-sale $'000	Fair value through profit or loss $'000	Held-to-maturity $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:											
Government of Jamaica securities	8	-	11,680,072	-	-	-	11,680,072	-	11,680,072	-	11,680,072
Derivative	8	-	-	260,125	-	-	260,125	-	260,125	-	260,125
Ordinary shares quoted	9	-	202,161	-	-	-	202,161	202,161	-	-	202,161
Ordinary shares unquoted	9	-	39	-	-	-	39	39	-	-	39
Investments - other	9	-	317,216	-	-	-	317,216	-	317,216	-	317,216
Units in unit trust	9	-	8,609	-	-	-	8,609	-	8,609	-	8,609
		-	12,208,097	260,125	-	-	12,468,222	202,200	12,266,022	-	12,468,222
Financial assets not measured at fair value:											
Cash and cash equivalents	7	11,554,456	-	-	-	-	11,554,456				
US$ denominated securities	8	2,933,107	-	-	-	-	2,933,107	-	2,707,515	-	2,707,515
Investments - other	9	2,931,747	-	-	90,750	-	3,022,497				
Resale agreements	10	9,703,894	-	-	-		9,703,894				
Loans receivable	11	27,190,355	-	-	-	-	27,190,355				
Other assets	12	1,493,217	-	-	-	-	1,493,217				
		55,806,776	-	-	90,750	-	55,897,526				
Financial liabilities not measured at fair value:											
Shareholders' savings	20	-	-	-	-	53,629,095	53,629,095				
Depositors' savings	21	-	-	-	-	1,137,538	1,137,538				
Due to specialised institutions		-	-	-	-	8,435,382	8,435,382				
Other liabilities	22	-	-	-	-	380,398	380,398				
		-	-	-	-	63,582,413	63,582,413				

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30. NET INTEREST INCOME

	Group 2014 $'000	Group 2013 $'000	Society 2014 $'000	Society 2013 $'000
Interest income				
Investment securities	3,343,602	2,968,356	2,503,465	2,057,008
Loans to customers	2,558,805	2,364,622	2,560,465	2,438,660
	5,902,407	5,332,978	5,063,930	4,495,668
Interest expense				
On borrowings	(691,831)	(468,116)	(90,162)	(1,689)
To shareholders	(1,124,572)	(1,049,305)	(1,124,572)	(1,049,305)
To depositors	(345,662)	(292,103)	(374,185)	(305,993)
	(2,162,065)	(1,809,524)	(1,588,919)	(1,356,987)
Net interest income	3,740,342	3,523,454	3,475,011	3,138,681

31. NET FEE AND COMMISSION INCOME

	Group 2014 $'000	Group 2013 $'000	Society 2014 $'000	Society 2013 $'000
Fee and commission income				
Customers	306,767	184,619	91,083	99,602
Associated company	101,940	105,210	101,940	105,210
Other	8,155	7,711	8,155	7,711
	416,862	297,540	201,178	212,523
Fee and commission expenses				
Inter-bank transaction fees	(43,707)	(40,624)	(43,707)	(40,624)
Other	(22,840)	(24,310)	(22,840)	(24,309)
	(66,547)	(64,934)	(66,547)	(64,933)
Net fee and commission income	350,315	232,606	134,631	147,590

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32. OTHER OPERATING REVENUE

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Securities trading gains	268,881	337,691	268,881	269,074
Fines for late payments	59,539	58,433	59,539	58,433
Unrealised foreign exchange gains	188,335	134,156	4,294	-
Rent	35,613	34,335	39,759	37,742
Dividends - from subsidiaries and associates	-	-	257,298	208,013
- other	37,797	15,843	37,797	15,843
Gain on sale of investments	43,359	-	43,359	-
Recovery of specific allowance for loan loss	18,882	28,511	18,882	28,511
Gain on disposal of property, plant and equipment	7,944	26,251	7,944	26,251
Re-measurement to fair value of associate upon entity becoming a subsidiary	-	116,293	-	116,293
Other income	213,042	154,285	68,382	59,872
	873,392	905,798	806,135	820,032

33. PERSONNEL COSTS

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Salaries	1,290,556	1,133,460	955,814	873,518
Statutory payroll contributions	147,646	135,375	119,364	109,503
Reduction in liability for defined benefit plan	(1,784)	(185,310)	(5,503)	(185,310)
Termination payments	-	123,543	-	122,899
Other staff benefits	475,049	376,627	433,197	336,764
	1,911,467	1,583,695	1,502,872	1,257,374

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34. OTHER OPERATING EXPENSES

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Direct operating expenses for investment property that generated rental income	92,915	75,170	40,637	58,833
Administration	247,182	254,348	388,483	380,941
Marketing	184,049	181,701	154,671	141,818
Postage, courier and stationery	79,630	86,151	68,485	75,095
Maintenance – buildings, furniture and fixtures	208,982	181,021	161,374	125,097
Computer maintenance	130,944	105,591	104,274	84,783
Consultancy and other professional fees	68,388	47,656	47,622	21,772
Service contracts	27,461	29,511	27,461	24,814
Overseas business development	278,474	222,893	278,474	222,893
Insurance	105,301	97,604	104,717	97,100
Electricity, water and telephone	95,082	89,017	88,406	82,326
Security	29,959	25,491	29,877	24,935
Audit fees	42,493	33,437	27,942	19,251
Directors' fees [note 36(e)]	29,492	35,489	17,573	21,500
Loss on sale of investments	-	279,168	-	279,168
Unrealised foreign exchange loss	38,900	41,801	-	2,250
Loss on dissolution of subsidiary	21,214	-	-	-
	1,680,466	1,786,049	1,539,996	1,662,576

35. INCOME TAX EXPENSE

(a) Income tax expense is based on the surplus for the year, as adjusted for tax purposes, and is computed at statutory rates of 30% for the Society, 33⅓% for regulated local subsidiaries and 25% for certain foreign and local non-regulated subsidiaries [note 35(c)]. In computing taxable income of the Society, transfers to general reserves (as defined in the Income Tax Act) are exempt from income tax if the general reserves after such transfers do not exceed 5% of assets. The charge is made up as follows:

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
(i) Current tax expense:				
Current tax at 30%	308,086	275,802	308,086	275,800
Current tax at 25% and 33⅓%				
- provision for current year	88,320	56,173	-	-
- adjustment for prior year's (over)/under provision	(2,086)	913	-	-
	394,320	332,888	308,086	275,800
(ii) Deferred tax expense:				
Origination and reversal of temporary differences [notes 13(a) and (b)]	(68,282)	(8,319)	(54,947)	(1,122)
Actual tax expense recognised	326,038	324,569	253,139	274,678

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35. INCOME TAX EXPENSE (CONT'D)

(b) At the reporting date, taxation losses of certain subsidiaries, subject to agreement by the tax authorities in the relevant jurisdictions, amounted to approximately $24,500,000 (2013: $21,000,000). These losses may be carried forward indefinitely, but in any one year, prior year losses can be used to offset only 50% of chargeable income (before the deduction of any prior year losses).

(c) Reconciliation of effective tax charge

The effective tax rate, that is, the income tax expense as a percentage of the reported surplus, is different from the statutory rates [note 35(a)] and is 24.47% (2013: 25.15%) for the Group and 20.55% (2013: 25.68%) for the Society. The actual income tax expense differs from the expected income tax expense for the year, as follows:

	Group		Society	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Surplus before income tax	1,332,221	1,267,450	1,231,983	1,069,790
Computed "expected" income tax using statutory tax rates	399,666	380,235	369,595	320,937
Tax effect of treating the following items differently for income tax than for financial statement purposes:				
Depreciation charge and capital allowances	(39,925)	7,648	(36,068)	(7,209)
Disallowed expenses	43,865	(21,549)	37,021	-
Unrealised exchange gain/loss	(1,510)	-	(1,288)	(1,308)
Other	(76,058)	(41,708)	(116,121)	(37,742)
	326,038	324,626	253,139	274,678
Adjustment for prior year under-provision	-	(57)	-	-
Actual tax expense recognised	326,038	324,569	253,139	274,678

(d) Government of Jamaica has enacted new income tax legislation, effective January 1, 2014. The provisions that impact the Group most significantly are the following:

- The corporate income tax rate for all unregulated companies is 25%.
- Although tax losses may still be carried forward indefinitely, the amount that can be utilised in any one year is restricted to 50% of the chargeable income for that year.

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Notes to the Financial Statements

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36. RELATED PARTY TRANSACTIONS

(a) Definition of related party

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

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

(1) has control 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.

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

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

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

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

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

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

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

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(b) Identity of related parties

The Society has a related party relationship with its subsidiaries, with its Directors, executives and senior officers, as well as those of its subsidiaries, and with its associated company [note 1(c)]. The Directors, senior officers and executives are collectively referred to as "key management personnel".

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Notes to the Financial Statements

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36. RELATED PARTY TRANSACTIONS (CONT'D)

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

	2014 $'000	2013 $'000
Subsidiaries:		
Resale agreements	952,524	723,324
Shareholders' savings	(633,025)	(223,470)
Key management personnel:		
Mortgage loans	90,962	50,434
Other loans	17,973	9,623
Shareholders' savings	(52,502)	(51,271)
Non-executive directors - mortgage loans	30,004	33,799

Average interest rates charged on loans are lower than the rates that would be charged in an arm's length transaction.

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

In relation to balances owing by key management personnel, or their immediate relatives, there has not been any specific provision for impairment losses or general provision for losses against this class of balances.

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

	2014 $'000	2013 $'000
Directors:		
Interest from loans	2,983	3,197
Key management personnel:		
Interest from loans	8,709	5,446
Interest expense	(1,608)	(2,005)
Subsidiaries:		
Interest and dividends from investments	240,067	834,983
Interest on loans	1,713	1,640
Other operating revenue	22,738	18,791
Interest expense	(10,944)	(16,226)
Other operating expenses	(318,041)	(285,476)

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December 31, 2014

36. RELATED PARTY TRANSACTIONS (CONT'D)

(e) Key management personnel compensation

In addition to directors' fees paid to non-executive directors (note 34), compensation of key management personnel, included in personnel costs (note 33), is as follows:

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Short-term employee benefits	166,198	158,327	85,096	81,166
Post employment benefits	131	125	131	125
	166,329	158,452	85,227	81,291

In addition to their salaries, key management personnel are provided with non-cash benefits, as well as post-employment benefits under a defined-benefit pension plan (note14). In accordance with the rules of the plan, key management personnel retire at age 62 (or 65 if joining after January 1, 2006) and may continue to receive medical benefits, at the discretion and approval of the Board of Directors. In the case of preferential staff rates on loans, this benefit continues to age 65 when the rate is adjusted with reference to market.

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

37. COMMITMENTS

(a) Operating lease commitments at the reporting date expire as follows:

	Group		Society	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within one year after that date	25,117	35,199	24,981	31,489
Subsequent years	24,260	36,426	18,248	30,486

(b) Commitments for capital expenditure for the Group and the Society amount to approximately $93,000,000 (2013: $173,000,000) at the reporting date.

The Group leases a number of branch and office premises under operating leases. A lease typically runs for a period of 3 years, with an option to renew the lease after that date. Lease payments are increased every three to five years to reflect market rentals.

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38. FOREIGN EXCHANGE RATES

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

	2014 J$	2013 J$
United States Dollar	114.39	106.05
Canadian Dollar	97.016	99.36
Pound Sterling	176.822	174.70

39. PRIOR YEAR RESTATEMENT

In the previous year, the Society received $525,481,000 from a subsidiary, which was treated as a dividend. After further legal review, the amount received has been deemed to be a loan. The accounting treatment of the amount received has been adjusted with retroactive effect, as follows:

(i) Effect on statement of financial position as at December 31, 2013

	Group 2013			Society 2013		
	As previously reported $'000	Effect of prior year restatement or reclassification $'000	As restated $'000	As previously reported $'000	Effect of prior year restatement or reclassification $'000	As restated $'000
ASSETS						
Interest in subsidiaries	-	-	-	997,164	(4,300)	992,864
Other assets	1,789,615	(5,573)	1,784,042	-	-	-
LIABILITIES						
Loan payable	-	-	-	-	(525,481)	(525,481)
CAPITAL AND RESERVES						
Permanent capital fund	6,445,465	(476,803)	5,968,662	6,445,465	(476,803)	5,968,662
Reserve fund	747,435	(52,978)	694,457	747,435	(52,978)	694,457
Currency translation reserve	126,309	17,372	143,681	-	-	-
Retained earnings	2,336,704	(22,945)	2,313,759	-	-	-

There was no effect on the financial statements for the year ended December 31, 2012.

(ii) Effect on income statement for year ended December 31, 2013

	Group 2013			Society 2013		
	As previously reported $'000	Effect of prior year adjustment $'000	As restated $'000	As previously reported $'000	Effect of prior year adjustment $'000	As restated $'000
Other operating expense	(1,842,962)	(31,109)	(1,874,071)	-	-	-
Other operating revenue	985,656	8,164	993,820	1,454,972	(529,781)	925,191
Surplus before income tax	1,290,395	(22,945)	1,267,450	1,599,571	(529,781)	1,069,790
Surplus for the year	965,826	(22,945)	942,881	1,324,893	(529,781)	795,112

VICTORIA MUTUAL

2014 SNAPSHOTS






BIG WINNER
MUTUAL


FINANCIAL INDEPENDENCE
OPENING
MONDAY
BONDS
STOCKS
SAVINGS
ABM


VICTORIA MUTUAL

CORPORATE DATA

GROUP EXECUTIVES

Richard K. Powell, MBA, M.Sc., B.Sc. (Hons.)
President & Chief Executive Officer

Janice McKenley, F.C.C.A., F.C.A., MBA (Hons.), B.Sc. (Hons.)
Senior Vice-President & Group Chief Financial Officer

Peter Reid, B. A. (Hons)
Senior Vice-President & Chief Operating Officer

Allan Lewis, A.S.A, Ed M., MBA, B. Sc. (Hons.)
Senior Vice-President, Group Strategy

Keri-Gaye Brown, LL.B (Hons.)
Senior Vice-President, Group Legal Compliance & Corporate Secretary

Laraine Harrison, MBA, B. A. (Hons.)
Vice-President, Group Human Resource Administration

Vivienne Bayley-Hay, B. Sc. (Hons.)
Vice-President, Group Marketing & Corporate Affairs

Joan Brown, DIFA, MBA F.C.C.A.,
Assistant Vice-President, Risk Management

Kathya Beckford, CFA, M. Sc. (Hons), B. Sc. (Hons)
Assistant Vice-President, Group Strategy

Damion Gallimore, B. Sc. (Hons)
Assistant Vice-President, Group Information Communication Technology

Sheally Solomon, FCCA, BBA.
Assistant Vice-President, Group Finance

MANAGERS OF SUBSIDIARIES

Devon Barrett, MBA, B. Sc
General Manager, Victoria Mutual Wealth Management Limited

Rezworth Burchenson, MBA, B. A. (Hons.)
Managing Director, Prime Asset Management Limited

Michael Neita, MBA, B. Sc. (Hons.), B Eng (Hons.)
General Manager, Victoria Mutual Property Services Limited

Michael Howard, MBA, B. Sc.
General Manager, VMBS Money Transfer Services Limited

EXTERNAL AUDITORS

Nigel Chambers, F.C.A
Linroy Marshall, F.C.A.
Chartered Accountants, KPMG

MEMBERS OF ADVISORY COUNCIL - NORTHERN REGION

Richard L. Donaldson
Rudolph L. Jobson, J.P.
Joyce Tweedie
John Ffrench, J.P.
Pauline Haughton, MBA., B.Sc., J.P.

ARBITRATORS

- Honourable Justice Ian Forte,
  President of the Court of Appeal (retired)
- Honourable Justice Clarence Walker, C.D.
  Justice of the Court of Appeal (retired)
- Mr. Karl P. Wright, C.D., MBA, B.Sc (Hons)
- Miss Megan Dean, MBA, B.Sc (Hons)

PANEL OF ATTORNEYS-AT-LAW

- Delroy Chuck & Company
- DunnCox
- O.G. Harding & Company
- Livingston, Alexander & Levy
- Murray & Tucker
- Myers, Fletcher & Gordon
- Nunes, Scholefield, DeLeon & Company
- Rattray, Patterson, Rattray
- Robinson, Phillips & Whitehourne
- Robertson, Smith, Ledgister & Company
- Phillips, Malcolm, Morgan & Matthies
- Lex Caribben
- Scott Bhoorasingh & Bonnick
- Samuda & Johnson
- Wilmot Hogarth & Co
- Harrison & Harrison
- Grant, Stewart Phillips & Co.
- Nicholson Phillips

BANKERS

- Bank of Nova Scotia
- Bank of Nova Scotia Jamaica Ltd.
- Barclays Bank PLC
- CIBC First Caribbean International Bank of Jamaica Ltd
- Citibank N.A. Jamaica Branch
- First Global Bank
- National Commercial Bank Jamaica Ltd.
- Sagicor Bank Ltd.

SALES AND SERVICE

Christopher Denny, MBA, B. Sc. (Hons.)
Vice President, Distribution

Conroy Rose, CSC, MBA, B. Sc. (Hons),
Assistant Vice President, Sales & Service – Eastern Region

Audley Knight, PFP, MBA, BBA (Hons)
Assistant Vice President, Sales & Service -Western Region

BRANCH OPERATIONS

Rickardo Ebanks, B.Sc. (Hons)
Vice President, Centralized Services

Karlene Waugh, B. Sc., CIAPM
Assistant Vice President, Branch Operations - Business Processes

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Papine: Audria Rannie,
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Portmore: Joy Bunting-Pusey,
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Santa Cruz: Erica Robinson,
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TOLL FREE FROM USA AND CANADA
1-866-967-VMBS (8627)

FREE PHONE FROM THE UK
0-800-068-VMBS (8627)

Monday-Friday: 7:00 a.m. - 8:00 p.m.
Saturday: 10:00 a.m. - 6:00 p.m.
Sunday: 10:00 a.m. - 3:00 p.m.

Email: manager@vmbs.com
Website: www.vmbs.com

NOTES

The Victoria Mutual Building Society

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